SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q/A

Quarterly report pursuant to sections 13 or 15(d) [amend]

Filing Date: **2013-01-17** | Period of Report: **2012-09-30**
SEC Accession No. 0001549983-13-000002

(HTML Version on secdatabase.com)

FILER

SPARE BACKUP, INC.

CIK:**1103577**| IRS No.: **233030650** | State of Incorp.:**DE** | Fiscal Year End: **1231**
Type: **10-Q/A** | Act: **34** | File No.: **000-30587** | Film No.: **13534439**
SIC: **7372** Prepackaged software

Mailing Address
72757 FRED WARING DRIVE
PALM DESERT CA 92260

Business Address
72757 FRED WARING DRIVE
PALM DESERT CA 92260
760-779-0251

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

FORM 10-Q/A
Amendment No. 1

(Mark One)

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

For the quarterly period ended September 30, 2012

or

☐ **TRANSITION REPORT UNDER SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _________ to ________

Commission File Number: 000-30587

SPARE BACKUP, INC.
(Exact name of registrant as specified in its charter)

Delaware	23-3030650
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

990 Ironwood, Minden, NV 98423
(Address of principal executive offices)

(775) 392-2180
(Registrant's telephone number, including area code)

N/A
(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 ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (ss. 232.405 of this chapter) during the preceding 12 (or for such shorter period that the registrant was required to submit and post such files).Yes ☐ No ☐

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

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☒

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act) Yes ☐ No ☒
Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date, 368,599,362 shares of common stock are issued and outstanding as of November 26, 2012.

OTHER PERTINENT INFORMATION

When used in this report, the terms "Spare Backup," the Company", " we", "our", and "us" refers to Spare Backup, Inc., a Delaware corporation formerly known as Newport International Group, Inc., and our subsidiary. The information which appears on our web site is not part of this report.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

Certain statements in this report contain or may contain forward-looking statements that are subject to known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. These forward-looking statements were based on various factors and were derived utilizing numerous assumptions and other factors that could cause our actual results to differ materially from those in the forward-looking statements. These factors include, but are not limited to, our ability to raise sufficient capital to fund our ongoing operations and satisfy our obligations as they become due, our ability to increase our revenues, our ability to compete within our market segment, our ability to implement our strategic initiatives, economic, political and market conditions and fluctuations, government and industry regulation, interest rate risk, U.S. and global competition, and other factors. Most of these factors are difficult to predict accurately and are generally beyond our control. You should consider the areas of risk described in connection with any forward-looking statements that may be made herein. Readers are cautioned not to place undue reliance on these forward-looking statements and readers should carefully review this report in its entirety, as well as our annual report on Form 10-K for the year ended December 31, 2011 including the risks described in Part I. Item 1A. Risk Factors of that report. Except for our ongoing obligations to disclose material information under the Federal securities laws, we undertake no obligation to release publicly any revisions to any forward-looking statements, to report events or to report the occurrence of unanticipated events. These forward-looking statements speak only as of the date of this report, and you should not rely on these statements without also considering the risks and uncertainties associated with these statements and our business.

EXPLANATORY NOTE

This Amendment No. 1 to the Quarterly Report on Form 10-Q/A (the "Amendment") amends the Quarterly Report on Form 10-Q of Spare Backup, Inc. (the "Company") for the quarter ended September 30, 2012 (the "Original Filing"), that was originally filed with the U.S. Securities and Exchange Commission on September 26, 2012. This Form 10-Q/A contains some amendments that include primarily disclosure issues, Exhibit 101 (XBRL Interactive Data), corrections of typographical errors, and a correction to an understatement of revenue and accounts receivable of $7,933 and $9,519, respectively.

In addition, as required by Rule 12b-15 under the Securities Exchange Act of 1934, as amended ("Exchange Act"), new certifications by the Company's principal executive officer and principal financial officers are filed as exhibits hereto.

Except as described above, the Amendment does not modify or update the disclosures presented in, or exhibits to, the Original Filing in any way. Those sections of the Original Filing that are unaffected by the Amendment are not included herein. The Amendment continues to speak as of the date of the Original Filing. Furthermore, the Amendment does not reflect events occurring after the filing of the Original Filing. Accordingly, the Amendment should be read in conjunction with the Original Filing, as well as the Company's other filings made with the SEC pursuant to Section 13(a) or 15(d) of the Exchange Act subsequent to the filing of the Original Filing.

SPARE BACKUP, INC.

INDEX

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

Table of Contents

SPARE BACKUP, INC. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS

ASSETS	September 30, 2012	December 31, 2011
	(Unaudited)	(1)
Current Assets:		
Cash	$ —	$ —
Accounts receivable, net allowance for bad debt of $98,623 and $100,000	113,333	120,248
Prepaid expenses	—	10,599
Total current assets	113,333	130,847
Property and equipment, net of accumulated depreciation of $331,026 and $279,345	47,444	98,070
Deferred financing costs	2,959	—
Other assets	58,250	85,522
Total assets	$ 221,986	$ 314,439
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current Liabilities:		
Accounts payable and accrued expenses	$ 3,463,660	$ 3,615,504
Overdraft liability	16,130	70,750
Accrued payroll taxes	4,397,445	4,314,670
Convertible promissory notes, net of unamortized debt discount of $447,061 and -0-	2,542,853	1,918,735
Accrued interest on convertible promissory notes	244,948	215,004
Notes payable	508,000	787,600
Derivative liabilities	516,282	—
Deferred revenue	102,500	102,500
Due to stockholder	15,000	15,000
Total current liabilities	11,806,818	11,039,763
Stockholders' Deficit:		
Preferred stock, $0.001 par value, 5,000,000 shares authorized:		
150,000 issued and outstanding	150	150
Common stock; $.001 par value; 450,000,000 shares authorized;		
370,093,881 and 303,943,573 issued; 366,793,881 and 303,943,573 outstanding	366,793	303,943
Additional paid-in capital	107,733,517	105,765,093
Accumulated deficit	(119,685,291)	(116,794,510)
Total stockholders' deficit	(11,584,831)	(10,725,324)
Total liabilities and stockholders' deficit	$ 221,986	$ 314,439

(1) Derived from audited financial statements

See Notes to Unaudited Consolidated Financial Statements.

SPARE BACKUP, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF OPERATIONS

	Three-month periods ended September 30,		Nine-month periods ended September 30,	
	2012	2011	2012	2011
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenues	$ 66,099	$ 153,568	$ 434,765	$ 347,071
Operating expenses:				
Research and development	216,135	501,380	596,027	1,159,935
Selling, general and administrative	755,253	1,093,789	2,927,733	4,450,281
Total operating expenses	971,388	1,595,169	3,523,760	5,610,216
Operating loss	(905,289)	(1,441,601)	(3,088,995)	(5,263,145)
Other income (expense):				
Change in fair value of derivative liabilities	168,806	(1,552,858)	155,936	577,076
Gain from debt settlements	—	—	446,387	—
Interest expense	(283,393)	(252,699)	(402,235)	(643,470)
Other loss	(715)	—	(1,827)	—
Total other income (expense)	(115,302)	(1,805,557)	198,261	(66,394)
Net loss	$ (1,020,591)	$ (3,247,158)	$ (2,890,734)	$ (5,329,539)
Basic and diluted loss per common share	$ (0.00)	$ (0.01)	$ (0.01)	$ (0.02)
Basic and diluted weighted average common shares outstanding	364,835,548	273,233,495	337,350,489	243,774,932

See Notes to Unaudited Consolidated Financial Statements.

SPARE BACKUP, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Nine Months Ended September 30, 2012 (Unaudited)	For the Nine Months Ended September 30, 2011 (Unaudited)
Cash flows from operating activities:		
Net loss	$ (2,890,734)	$ (5,329,539)
Adjustments to reconcile net loss to net cash used in operating activities:		
Change in fair value of derivative liabilities	(155,936)	(577,076)
Fair value of options and warrants issued for services	338,384	468,346
Fair value of option and warrant modifications	12,500	472,458
Fair value of common stock issued in connection with service rendered	804,730	583,325
Fair value of convertible promissory notes modifications	—	—
Fair value of common stock issued in connection with note payable issuance	—	44,000
Fair value of common stock issued to satisfy accrued interest	137,510	—
Gain on extinguishment of debt	(446,387)	—
Depreciation and amortization	51,681	110,715
Bad debt	(1,346)	—
Amortization of debt discount	209,703	29,964
Changes in operating assets and liabilities:		
Accounts receivable	8,292	(72,330)
Prepaid expense and other current assets	37,871	25,865
Deferred financing costs	(2,959)	—
Accounts payable, accrued expense and accrued payroll taxes	377,273	1,369,084
Accrued interest on convertible promissory notes	29,945	2,567
Net cash used in operating activities	(1,489,474)	(2,872,621)
Cash flows used in investing activities:		
Capital expenditures	(1,055)	(10,265)
Net cash used in investing activities	(1,055)	(10,265)
Cash flows from financing activities:		
Proceeds from issuance of convertible promissory notes	782,000	50,000
Proceeds from issuance of notes payable	25,000	367,600
Repayment of notes payable	—	(163,000)
Net proceeds from issuance of common stock for cash	612,250	1,166,894
Cash overdraft	(54,621)	(127,321)
Proceeds from exercise of warrants	47,500	112,008
Proceeds from exercise of stock options	78,400	90,000
Net cash provided by financing activities	1,490,529	1,496,181
Net increase (decrease) in cash	—	(1,386,705)
Cash, beginning of period	—	—
Cash, end of period	$ —	$ (1,386,705)

Supplemental disclosures of cash flow information:		
Cash paid for interest	$ 2,316	$ —
Cash paid for income taxes	$ —	$ —
Non-cash investing and financing activities:		
Write off of fully depreciated property and equipment	$ —	$ 183,641
Fair value of warrants and embedded conversion features issued in connection with the issuance of convertible promissory notes and corresponding debt discount	$ 672,217	$ 47,672
Conversion of convertible promissory notes and accrued interest into shares of common stock	$ —	$ 697,500
Conversion of notes payable into shares of common stock	$ —	$ 308,500
Fair value of derivative liability	$ 516,282	$ 2,407,261

See Notes to Unaudited Consolidated Financial Statements.

SPARE BACKUP, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED SEPTEMBER 30, 2012
(Unaudited)

NOTE 1 - ORGANIZATION, BASIS OF PRESENTATION AND GOING CONCERN

Spare Backup, Inc., (the "Company") was incorporated in Delaware in December 1999. The Company sells on-line backup solutions software and services to individuals, business professionals, small office and home office companies, and small to medium sized businesses.

The balance sheet presented as of September 30, 2012 has been derived from our audited financial statements. The unaudited financial statements have been prepared pursuant to the rules and regulations of the SEC. Certain information and footnote disclosures normally included in the annual financial statements prepared in accordance with accounting principles generally accepted in the United States of America, have been omitted pursuant to those rules and regulations, but we believe that the disclosures are adequate to make the information presented not misleading. The financial statements and notes included herein should be read in conjunction with the annual financial statements and notes for the year ended December 31, 2011 included in our Annual Report on Form 10-K filed on April 26, 2012. The results of operations for the nine-month period ended September 30, 2012 are not necessarily indicative of the results for the year ending December 31, 2012.

The accompanying consolidated unaudited financial statements have been prepared on a going concern basis. The Company has incurred net losses of approximately $2.9 million during the nine-month period ended September 30, 2012 and its current liabilities exceed its current assets by $11.7 million. The Company's ability to continue as a going concern is dependent upon its ability to obtain the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they come due, and to generate profitable operations in the future. Management plans to continue to provide for its capital requirements by issuing additional equity securities and debt. The outcome of these matters cannot be predicted at this time and there are no assurances that if achieved, the Company will have sufficient funds to execute its business plan or generate positive operating results.

These matters, among others, raise substantial doubt about the ability of the Company to continue as a going concern. These financial statements do not include any adjustments to the amounts and classification of assets and liabilities that may be necessary should the Company be unable to continue as a going concern.

The accompanying consolidated unaudited financial statements include the accounts of Spare Backup and its wholly-owned subsidiary. All material inter-company balances and transactions have been eliminated in consolidation.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates

The preparation of the consolidated unaudited financial statements in accordance with accounting principles generally accepted in the United States 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. Significant estimates made by management include, but are not limited to share-based payments, derivative liabilities, and useful life of property and equipment. Actual results will differ from these estimates.

Cash and Cash Equivalents

The Company considers all highly liquid temporary cash investments with an original maturity of three months or less when purchased, to be cash equivalents.

Reclassification

Certain items in the September 30, 2011 financial statements have been reclassified to conform to the presentation in the September 30, 2012 financial statements. Such reclassifications did not have a material impact on the presentation of the overall financial statements.

Concentration of Credit Risks

The Company is subject to concentrations of credit risk primarily from cash and cash equivalents.

The Company’s cash and cash equivalents accounts are held at financial institutions and are insured by the Federal Deposit Insurance Corporation, or the FDIC, up to $250,000. During the nine-month period ended September 30, 2012, the Company did not exceed the FDIC insurance limit.

The Company's accounts receivable are due from a few customers, which are located in the Unites States and United Kingdom. At September30, 2012,two of the Company’s customers accounted for 43% and 17% of its accounts receivable. Two of the Company’s customers accounted for 16% and 96%of its accounts receivable at December 31, 2011.

Accounts Receivable

The Company has a policy of reserving for uncollectible accounts based on its best estimate of the amount of probable credit losses in its existing accounts receivable. The Company periodically reviews its accounts receivable to determine whether an allowance is necessary based on an analysis of past due accounts and other factors that may indicate that the realization of an account may be in doubt. Account balances deemed to be uncollectible are charged to the bad debt expense after all means of collection have been exhausted and the potential for recovery is considered remote. Management determined that an allowance of $98,623 and $100,000 was necessary at September 30, 2012 and December 31, 2011.

Property and Equipment

Property and equipment, which primarily consists of office equipment and computer software, are recorded at cost and are depreciated on a straight-line basis over their estimated useful lives of three to five years. Maintenance and repairs are charged to expense as incurred. Significant renewals and betterments are capitalized. At the retirement or other disposition of property and equipment, the cost and accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in other income (expense) in the accompanying statements of operations.

Revenue Recognition

The Company follows the guidance of the FASB ASC 605-10-S99 "Revenue Recognition Overall - SEC Materials." The Company records revenue when persuasive evidence of an arrangement exists, on-line back-up services have been rendered, the sales price to the customer is fixed or determinable, and collectability is reasonably assured.

The Company has collected annual fees related to online back-up services. Online back-up service fees received in advance or collected up front are reflected as deferred revenue on the accompanying balance sheet. Deferred revenue as of September 30, 2012 and December 31, 2011 amounted to $102,500, and will be recognized as revenue over the respective subscription period.

Revenue consists of the gross value of billings to clients. The Company reports this revenue gross in accordance with Generally Accepted Accounting Pronouncements (“GAAP”) because it is responsible for fulfillment of the service, has substantial latitude in setting price and assumes the credit risk for the entire amount of the sale, and it is responsible for the payment of all obligations incurred for sales marketing and commissions.

Customer Concentration

Two of the Company's customers accounted for 43% and 17% of the Company's revenue during the nine-month period ending September 30, 2012. One of the Company's customers accounted for 50% of the Company's revenue during the nine-month period ending September 30, 2011.

Product Concentration

The Company offers subscriptions to online and software backup products to assist individuals, small businesses and home business users.

Fair Value of Financial Instruments

FASB ASC 820 "Fair Value Measurements and Disclosures" establishes a common definition for fair value to be applied to existing generally accepted accounting principles that require the use of fair value measurements, establishes a framework for measuring fair value and expands disclosure about such fair value measurements. The adoption of ASC 820 did not have an impact on the Company's financial position or operating results, but did expand certain disclosures.

ASC 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Additionally, ASC 820 requires the use of valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. These inputs are prioritized below:

Level 1:	Observable inputs such as quoted market prices in active markets for identical assets or liabilities
Level 2:	Observable market-based inputs or unobservable inputs that are corroborated by market data
Level 3:	Unobservable inputs for which there is little or no market data, which require the use of the reporting entity's own assumptions.

The Company did not have any Level 2 or Level 3 assets or liabilities as of September 30, 2012 and December 31, 2011, with the exception of its convertible promissory notes and derivative liabilities. The carrying amount of the convertible promissory notes at September 30, 2012 and December 31, 2011, approximate their respective fair value based on the Company's incremental borrowing rate. The derivative liabilities are computed using either the Black Scholes Model or the binomial method and are classified as Level 3 liabilities.

Software Development Costs

Costs incurred in the research and development of software products are expensed as incurred until technological feasibility has been established. After technological feasibility is established, any additional costs are capitalized in accordance with FASB ASC 985-20, "Costs of Software to be Sold, Leased, or Marketed." The Company believes that the current process for developing software is essentially completed concurrently with the establishment of technological feasibility. Accordingly, no software development costs have been capitalized as of September 30, 2012. Instead, such amounts are included in the statement of operations under the caption "Research and development."

Foreign Currency Transactions

The Company periodically engages in transactions in countries outside the United States which may result in foreign currency transaction gains or losses. Gains and losses resulting from foreign currency transactions are recognized as foreign currency gain (loss) in the statement of operations of the period incurred.

Income Taxes

Income taxes are accounted for in accordance with the provisions of FASB ASC-740 - Income Taxes. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. 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. Valuation allowances are established, when necessary, to reduce deferred tax assets to the amounts expected to be realized, but no less than quarterly.

Share-based Payments

The Company accounts for stock-based compensation in accordance with ASC Topic 718, Compensation-Stock Compensation("ASC 718"). Under the fair value recognition provisions of this topic, stock-based compensation cost is measured at the grant date based on the fair value of the award and is recognized as expense on a straight-line basis over the requisite service period, which is the vesting period.

The Company has elected to use the Black-Scholes-Merton ("BSM") option-pricing model to estimate the fair value of its options, which incorporates various subjective assumptions including volatility, risk-free interest rate, expected life, and dividend yield to calculate the fair value of stock option awards. Compensation expense recognized in the consolidated statements of operations is based on awards ultimately expected to vest and reflects estimated forfeitures. ASC 718 requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates.

Convertible Instruments

The Company evaluates and accounts for conversion options embedded in its convertible instruments and warrants in accordance with professional standards for "Accounting for Derivative Instruments and Hedging Activities."

Professional standards generally provides three criteria that, if met, require companies to bifurcate conversion options from their host instruments and account for them as free standing derivative financial instruments. These three criteria include circumstances in which (a) the economic characteristics and risks of the embedded derivative instrument are not clearly and closely related to the economic characteristics and risks of the host contract, (b) the hybrid instrument that embodies both the embedded derivative instrument and the host contract is not re-measured at fair value under otherwise applicable generally accepted accounting principles with changes in fair value reported in earnings as they occur and (c) a separate instrument with the same terms as the embedded derivative instrument would be considered a derivative instrument. Professional standards also provide an exception to this rule when the host instrument is deemed to be conventional as defined under professional standards as "The Meaning of "Conventional Convertible Debt Instrument."

The Company accounts for convertible instruments (when it has determined that the embedded conversion options should not be bifurcated from their host instruments) in accordance with professional standards when "Accounting for Convertible Securities with Beneficial Conversion Features," as those professional standards pertain to "Certain Convertible Instruments." Accordingly, the Company records, when necessary, discounts to convertible notes for the intrinsic value of conversion options embedded in debt instruments based upon the differences between the fair value of the underlying common stock at the commitment date of the note transaction and the effective conversion price embedded in the note. Debt discounts under these arrangements are amortized over the term of the related debt to their earliest date of redemption. The Company also records when necessary deemed dividends for the intrinsic value of conversion options embedded in preferred shares based upon the differences between the fair value of the underlying common stock at the commitment date of the note transaction and the effective conversion price embedded in the note.

ASC 815-40 provides that, among other things, generally, if an event is not within the entity's control could require net cash settlement, then the contract shall be classified as an asset or a liability.

Pursuant to 815-40-25-22, if the number of currently authorized but unissued shares, less the maximum number of shares that could be required to be delivered during the contract period under existing commitments, including outstanding convertible debt or instruments, outstanding stock options and warrants, exceeds the maximum number of shares that could be required to be delivered under share settlement of the contract, then the excess is to be accounted for as a liability.

Additionally, the Company determines whether the instruments issued in the transactions are considered indexed to the Company's own stock.

Recent Accounting Pronouncements

Management does not believe that any recently issued, but not yet effective, accounting standards could have a material effect on the accompanying consolidated financial statements. As new accounting pronouncements are issued, the Company will adopt those that are applicable under the circumstances.

Basic and Diluted Earnings per Share

Basic earnings per share is calculated by dividing income available to stockholders by the weighted-average number of common shares outstanding for each period. Diluted earnings per share is computed using the weighted-average number of common and dilutive common share equivalents outstanding during the period. Dilutive common share equivalents consist of shares issuable upon the exercise of stock options and warrants (calculated using the reverse treasury stock method). The outstanding options, warrants and shares equivalent issuable pursuant to convertible promissory notes amounted to 183,022,916 and 113,959,750 at September 30, 2012and 2011, respectively. Accordingly, these common share equivalents at September 30, 2012 and 2011 are excluded from the loss per share computation for that period due to their anti-dilutive effect.

The following sets forth the computation of basic and diluted earnings per share for the nine-month periods ended September 30, 2012 and 2011:

	Three months ended September 30, 2012	Three months ended September 30, 2011	Nine months ended September 30, 2012	Nine months ended September 30, 2011
Numerator:				
Net loss	$ (1,020,591)	$ (3,247,158)	$ (2,890,734)	$ (5,329,539)
Increase (decrease) in fair value of derivative liabilities	168,806	1,552,858	155,936	(577,076)
Numerator for basic earnings per share- loss attributable to common stockholders - as adjusted	(851,785)	(1,694,300)	(2,734,798)	(5,906,615)
Numerator for diluted earnings per share-net income (loss) attributable to common stockholders - as adjusted	$ (851,785)	$ (1,694,300)	$ (2,734,798)	$ (5,906,615)
Denominator:				
Denominator for basic earnings per share—weighted average shares	364,835,548	273,233,495	337,350,489	243,774,932
Effect of dilutive securities:				
Assumed conversion of Series A preferred stock	—	—	—	—
Assumed conversion of notes payable	—	—	—	—
Stock options	—	—	—	—
Warrants	—	—	—	—
Dilutive potential common shares	—	—	—	—
Denominator for diluted earnings per share—adjusted weighted-average shares and assumed conversions	364,835,548	273,233,495	337,350,489	243,774,932
Loss per share:				
Net loss available to common stockholders Basic and diluted	$ (0.00)	$ (0.01)	$ (0.01)	$ (0.02)

NOTE 3- PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	Estimate Life	September 30, 2012	December 31, 2011
Computer and office equipment	3 to 5 years	$ 378,470	$ 377,415
		378,470	377,415
Less: Accumulated depreciation		(331,026)	(279,345)
		$ 47,444	$ 98,070

Depreciation expense amounted to approximately $51,681 and $110,715 during the nine-month periods ended September 30, 2012 and 2011, respectively.

[Table of Contents](#)

NOTE 4- ACCRUED PAYROLL TAXES

At September 30, 2012, the Company recorded a liability of approximately $4.3 million to certain U.S. and state governmental agencies for unpaid payroll taxes, including statutory additions, such as interest and penalties.

NOTE 5 - CONVERTIBLE PROMISSORY NOTES

Convertible promissory notes

Convertible promissory notes consist of the following as of:

	September 30, 2012	December 31, 2011
Convertible promissory notes, bearing interest between 8% and 10% per annum, maturing between August 2008 and October 2011. Interest is within 30 days after the end of the quarter. Interest may be paid in cash or common stock at the option of the Company. Interest paid in common stock will be calculated at a range of 90% of the average closing price for the common stock for the five trading days preceding the interest payment date to 100% of the volume weighted average price for the common stock for the ten trading days preceding the interest payment date. The promissory notes are convertible at any time at the option of the holder, into shares of common stock at an effective conversion rate ranging from $0.05 to $0.25. These notes are currently in default.	$ 1,918,735	$ 1,918,735
Convertible note payable for up to $1.5 million, convertible at 75% of the Company's 5-day moving average quoted price of the stock for that month, bearing interest at 10% per annum, payable monthly beginning August 2011, maturing in June 2014.	585,000	—
Convertible note payable, convertible at the lessor of: 1) 70% of the lowest traded price of the Company's common stock for the 20 trading days prior to the conversion, or 2) $0.035, bearing a one-time interest payment of 10%, payable upon conversion, maturing December 15, 2012.	60,000	—
Convertible note payable for up to $385,000, convertible at the lessor of: 1) $0.035, or 2) 70% of the lowest trade price in the 25 trading days prior to the conversion, bearing an original issuance discount of 9.1% and no interest for the first 90 days, bearing a one-time interest payment of 5% after 90 days, payable on conversion, maturing one year from the effective date of each payment.	54,545	—
Convertible note payable, convertible at 60% of the average of the lowest three trading prices for the Company's common stock in the ten day trading period ended one trading day prior to the conversion date, bearing interest at 6% per annum, payable upon conversion, maturing on February 18, 2013.	160,000	—
Convertible note payable valued at $100,000, convertible at a conversion price of $0.01 per share maturity or when in default at a strike price of $0.05 per share, maturing on September 5, 2012 2 million warrants with a strike price of one cent per a share, maturing on October 15, 2012	100,000	
Convertible note payable with a value for up to $500,000, convertible at maturity or when in default at a strike price of $0.05 per share, maturing on September 5, 2012 2 million warrants with a strike price of one cent per a share, maturing on October 15, 2012	35,000	
Convertible note payable for up to $150,000, convertible at 70% of the lowest traded price in the 5 trading days prior to the conversion, bearing interest at 6% per annum, maturing on August 22, 2014	75,000	

Convertible note payable, convertible at $0.02, bearing no interest and no maturity date.		
		—
Less: debt discount	477,061	—
	$ 2,511,219	$ 1,918,735

The following sets forth the Company's activity of its convertible notes payable during the nine-month period ended September 30, 2012 and 2011, respectively:

	Nine-month period ended September 30, 2012	Nine-month period ended September 30, 2011
Reprising of certain convertible promissory notes from $0.16 to $0.12 per share recorded as interest expense	$ —	$ —
Issuance of -0- and 11,760,000 shares of common stock pursuant to conversion of convertible notes payable	—	818,500
Proceeds from issuance of convertible notes payable	782,000	490,000
Fair value of warrants issued to certain promissory note holders recorded as interest expense	—	207,910
Fair value of 2,166,737 and 955,029 shares of common stock to satisfy accrued interest obligations	137,510	50,995
Fair value of warrants and embedded conversion features recorded as corresponding debt discount	672,217	47,672
Fair value of warrants issued to satisfy accrued interest obligations	—	
Amortization of debt discount	209,703	40,761
Notes payable converted to convertible notes payable	302,600	—
Original issuance discount on convertible notes payable	14,545	—

Notes Payable

Notes payable do not have any stated interest rate, are payable on demand and are unsecured, with the exception of one note, which amounts to $37,500, which has a premium of $15,000 and was due on November 16, 2011. The amount due under such note at September 30, 2012 and December 31, 2011 amounts to $15,000.

The following sets forth the Company's activity of its notes payable during the nine-month period ended September 30, 2012 and 2011, respectively:

	Nine-month period ended September 30, 2012	Nine-month period ended September 30, 2011
Principal repayments	$ —	$ 163,000
Proceeds from issuance of note payable	23,000	367,600
Fair value of -0- and 955,029 shares of common stock to satisfy accrued interest obligations	—	115,874
Issuance of -0- and 12,496,000 shares to satisfy obligations under certain notes payable	—	759,500
Conversion of note payable to convertible note payable	257,000	—
Issuance of notes payable to satisfy certain accounts payable	—	37,500

The Company recognized approximately $402,235 and $643,470 during the nine-month periods ended September 30, 2012 and 2011, respectively, as interest expense, which consists of the excess of the fair value of shares of common stock over the carrying value of the convertible promissory notes and notes payable satisfied, amortization of debt discount, amortization of deferred financing costs, fair value of the Company's shares of common stock and warrants issued in lieu of interest.

NOTE 6 - DERIVATIVE LIABILITIES

A summary of the transactions related to the derivative liability for the nine-month period ended September 30, 2011:

Derivative liability at January 1, 2011	$ 470,871
Reclassification of equity contracts to liability contracts	2,407,261
Reclassification of liability contracts to equity contracts	(656)
Issuance of warrants	200,000
Decrease in fair value of derivative liability, recognized as other income	(838,844)
Derivative liability at September 30, 2011	$ 2,238,832

A summary of the transactions related to the derivative liability for the nine-month period ended September 30, 2012:

Derivative liability at January 1, 2012	$ —
Issuance of embedded conversion features, recognized as interest expense	672,217
Decrease in fair value of derivative liability, recognized as other expense	(155,936)
Derivative liability at September 30, 2012	$ 516,281

The maximum number of shares required to be delivered during the period under which substantially all of the Company's outstanding warrants, options, and convertible notes exceeded the amount of authorized shares through September 30, 2012.

The Company accounts for the embedded conversion features included in its convertible promissory notes and outstanding warrants.

Derivative liabilities amounted to $516,281 and $0 at September 30, 2012 and December 31, 2011, respectively.

During the first three quarters of 2011, the warrants and convertible promissory notes issued by the Company were recognized as liability contracts because, at issuance, the Company did not have sufficient amount of authorized of shares of common stock to satisfy its obligations under such contracts.

During December 2011, the Company's shareholders approved an increase in the Company's authorized number of its shares of common stock to 450,000,000. Accordingly, the Company reclassified its previously-recorded liability contracts to equity contracts in December 2011.

At each measurement date, the fair value of the embedded conversion features and warrants were based on the binomial and the Black Scholes method, respectively.

During the nine-month period ended September 30, 2011, the Company issued warrants in connection with the sale of the Company's common stock, conversion of convertible promissory notes, and short-term note payable, as well convertible promissory notes. The maximum number of shares required to be delivered during the period under which the warrants issued pursuant to common stock, conversion of promissory notes and short-term note payables, as well as the issuance of convertible promissory note, together with all the outstanding convertible debt, stock options, warrants and common stock, exceeded the amount of authorized common stock shares at September 30, 2011. As a result, the Company recorded a derivative liability aggregating $2,238,832 and was offset against additional-paid in capital.

The fair value of the derivative instruments were based on the following assumptions:

Exercise price:	$0.05 - $0.13
Market price at date of grant:	$0.09 - $0.13
Expected volatility:	78%
Term:	>1 year
Risk-free interest rate:	0.28% - 1.93%

During the nine-month period ended September 30, 2012, the Company issued warrants in connection with the sale of the Company's common stock, conversion of convertible promissory notes, and short-term note payable, as well convertible promissory notes. The maximum number of shares required to be delivered during the period under which the warrants issued pursuant to common stock, conversion of promissory notes and short-term note payables, as well as the issuance of convertible promissory note, together with all the outstanding convertible debt, stock options, warrants and common stock, exceeded the amount of authorized common stock shares at September 30, 2012. As a result, the Company recorded a derivative liability aggregating $516,282 and was offset against debt discount.

The fair value of the derivative instruments were based on the following assumptions:

Exercise price:	$0.013 - $0.029
Market price at date of grant:	$0.032 - $0.043
Expected volatility:	76%
Term:	>1 year - 3 years
Risk-free interest rate:	0.06% -0.31%

NOTE 7 - STOCKHOLDERS' DEFICIT

Preferred Stock

During the year ended December 31, 2011, the Company issued 100,000 shares of its Series B Preferred Stock. The Series B Preferred Stock's designation provides voting rights amounting to 400-to-1 shares. The Company issued 50,000 of such shares to one of its directors, who also manages and controls a company which is one of the Company's customers. Additionally, the Company issued 50,000 of such shares to one of its lenders and shareholders, who has granted a $1.5 million convertible note payable and was the owner of 7,416,666 shares of the Company's common stock at the date of issuance of the $1.5 million convertible note payable.

The issuance of the shares of Series B Preferred Stock was recognized at their par value.

Common Stock

During December 2011, the Company increased its authorized shares of common stock to 450,000,000.

The issuance of common stock during the nine-month period ended September 30, 2011 is summarized in the table below:

	Number of Shares of Common Stock	Fair Value at Issuance	Fair Value at Issuance (per share)
Accrued Interest Payment for 8% and 10% convertible promissory notes	517,623	$ 38,495	$ 0.07
Services performed- Investor relations	5,395,000	701,325	0.04-0.10
Exercised stock options	4,000,000	100,000	0.01-0.03
Exercised warrants	5,109,403	285,442	0.05-.06
Conversion of convertible promissory notes and notes payable	29,033,591	1,711,508	0.05-0.10
Private placement, net of finder's fee of $57,330	41,258,336	1,852,727	.03-.06
Interest associated with issuance of notes payable	500,000	44,000	.088

The issuance of common stock during the nine-month period ended September 30, 2012 is summarized in the table below:

	Number of Shares of Common Stock	Fair Value at Issuance	Fair Value at Issuance (per share)
Services performed- Investor relations	5,850,000	$ 196,050	$ 0.03-0.072
Services performed-Consulting	13,725,000	585,340	0.03-0.07
Accrued interest payment for 8% and 10% convertible promissory notes	2,116,737	137,510	0.05-0.12
Exercise of stock options	3,640,000	78,400	0.025
Private placement	33,251,904	612,250	0.01-0.05
Exercised warrants	4,000,000	47,500	0.01-0.03

Additionally, the Company issued 3,300,000 shares of its common stock as collateral in connection with the issuance of a note payable of $60,000 during the nine-month period ended September 30, 2012.

Warrants

The issuance of warrants during the nine-month period ended September 30, 2011 is summarized in the table below:

Association	Number of Warrants	Exercise Price	Expiration Date	Value at Issuance
Private Placement	1,090,000	$ 0.09	1/5/2014	$ —
Finder's Fees	4,575,000	$ 0.05 - 0.012	2/14/14 - 1/5/14	—
Conversion of 8% Note payable	166,667	$ 0.16	1/14/2013	—
Accrued interest on Conversion of 8% Note payable	19,981	$ 0.16	1/14/2013	198
Issuance of convertible Promissory note	5,000,000	$ 0.09	6/17/2016	—

The issuance of warrants during the nine-month period ended September 30, 2012 is summarized in the table below:

Association	Number of Warrants	Exercise Price	Expiration Date	Value at Issuance
Private Placement	7,350,000	$ 0.01-0.07	4/1/15 - 6/29/15	$ —
Issuance of Note payable	100,000	$ 0.03	5/7/2015	2,900
Services	1,000,000	$ 0.018	5/21/2015	23,000

The fair value of the warrants granted is based on the Black Scholes Model using the following assumptions:

	September 30, 2012	September 30, 2011
Exercise price:	$0.018 - $0.03	$.09-.20
Market price at date of grant:	$0.035 - $0.048	$0.08-.15
Expected volatility:	76.21%	69-78%
Term:	3 years	3 – 5 years
Risk-free interest rate:	0.72%	0.75% - 2.72%

Stock Options

In 2002, the Company adopted the 2002 Stock Plan under which stock awards or options to acquire shares of the Company's common stock may be granted to employees and non-employees of the Company. The Company has authorized 12,000,000 shares of the Company's common stock for grant under the 2002 Plan.

In May 2006, the Board increased the authorized amount to 27,000,000. The 2002 Plan is administered by the Board of Directors and permits the issuance of options for the purchase of up to the number of available shares outstanding. Options granted under the 2002 Plan vest in accordance with the terms established by the Company's stock option committee and generally terminates ten years after the date of issuance.

The fair value of stock options granted was estimated at the date of grant using the Black-Scholes options pricing model. The Company used the following assumptions for determining the fair value of options granted under the Black-Scholes option pricing model:

	September 30, 2012	September 30, 2011
Exercise Price	$ 0.02 - $ 0.05	$ 0.03-0.08
Market price at date of grant	$ 0.021 - $ 0.07	$ 0.08
Expected volatility	76.15% - 76.21%	50-69%
Risk-free interest rate	0.51% - 0.72%	0.63-1.76%

The following activity occurred under our plan:

	Nine- month period ended September 30, 2012	Nine- month period ended September 30, 2011
Weighted-average grant-date fair value of options granted	$ 0.04	$ 0.04
Fair value of options recognized as expense:	$ 299,984	$ 468,346
Options granted	5,640,000	4,500,000

The total compensation cost related to non-vested options not yet recognized amounted to approximately $7,089 at September 30, 2012 and the Company expects that it will be recognized over the following weighted-average period of 3 months.

NOTE 8 - COMMITMENTS AND CONTINGENCIES

Litigation

The Company has appealed to the California Court of Appeals in a matter involving a consultant. The issue on appeal is the California Superior Court's failure to disregard a NY state court judgment for approximately $100,000, which the Company asserts was improperly entered and, therefore, should not be recognized as a valid sister state judgment. The Company's likelihood of success on this appeal cannot be determined at this time.

In November 2011, a note holder filed suit against the Company in Nevada State Court in Douglas County, alleging breach of a promissory debenture. The Company has filed motions to dismiss the action based on the fact that the note holder has been dissolved and the Company has entered into individual agreements with its former partners. The case has not been set for trial and, as of this date, there is a low likelihood of an unfavorable outcome.

In February 2011, a former employee filed suit against the Company alleging various employment related claims. The Company conducted litigation and discovery and on April 4, 2012, the case was settled in exchange for a judgment of $125,000.

In February 2012, a former employee filed suit against the Company alleging various employment related claims. The Company conducted litigation and discovery, the case is set for trial later this year.

In June 2012, a vendor filed suit against the Company for breach of contract related to call center services they provided. The Company is currently conducting litigation and discovery, the case is not yet set for trial.

NOTE 9 - GAIN ON WRITE-OFF FROM DEBT SETTLEMENTS

During the nine months ended September 30, 2012, the Company recorded a gain from debt settlements of $446,387 on write off of certain payables on which the statute of limitations has expired relating to the collectability of these payables.

NOTE 10 - RELATED PARTY TRANSACTIONS

The Company made rental payments for property owned by the Chief Executive Officer of the Company during the nine-month periods ended September 30, 2012 and 2011 amounting $0 and $2,500, respectively. The rental property was used for temporary employee housing during such periods.

NOTE 11 - SEGMENTS

During the nine-month periods ended September 30, 2012 and 2011, the Company operated in one business segment. The percentages of sales by geographic region for the nine-month periods ended September 30, 2012 and 2011 were approximately:

	2012	2011
United States	39%	11%
Europe	61%	89%

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

Overview

We are a software development company and service provider for the PC and mobile device industry. Our flagship product is *Spare Backup* , a fully-automated remote backup solution designed and developed especially for the small office, mobile and home environment which automatically and efficiently backs up all data on selected laptops, tablets or desktop computers, as well as smart phones. As a result, we believe individuals and businesses can ensure file safety. We launched our Spare Back-up service and software product version 1.0 in March 2005 specifically designed for the PC, and we are currently offering version 6.0 of the product which now incorporates not only the PC but tablets and smart phones which are carrier agnostic and handset agonistic .

Our *Spare Switch* software enables users to complete the transfer of personal files from one personal computer (PC) to another via a high speed Internet connection. We focus on individuals and businesses that use diverse technologies and various devices to support their businesses and lifestyles.

Our *Spare Mobile* product backs up personal content on your "smart phones" such as contacts, emails, calendar events, photos, music and videos. We offer a complete line of *security products* to compliment the user's smart phone, such as:

Last Known LocationPRO: View the approximate location of your registered phone(s) on an integrated map using the phone's built-in GPS.

Lock/Unlock PhonePRO: Remotely lock your phone to prevent unauthorized use and protect your personal information.

Display MessagePRO: Send a message to your phone that locks your phone and displays a message requesting that the Good Samaritan holding your phone contact you to return it.

Set Phone AlarmPRO: Locks your phone and sends a loud, audible alert directly to your phone to immediately pinpoint its location.

Erase PhonePRO: Remotely lock your phone and erase your contacts, photos, etc. from your phone.

We provide an easy to use, scalable, cloud-based solution for securing business files, media, and personal data. The total Spare Backup offerings represent a suite of complementary products and services which are designed for use by technical and non-technical users. Our software has unique, easy, scalable characteristics which we believe provides a competitive advantage over other competitors whose products require large investments in hardware, installation, training and support.

We have focused our more recent development and marketing efforts on our *Spare Mobile* product, which backs up personal content on "smart phones" and "tablets," such as contacts, emails, calendar events, photos, music, videos and data files. It also offers a complete line of mobile*security products*and*parental controls*(developed in 2011 and 2012) to compliment the users' mobile devices, as described in our software development section. We have shifted our focus to the mobile industry to take advantage of a number of industry trends which we believe represent a tremendous growth opportunity for our company. In 2011, there were approximately six billion mobile subscribers throughout the world according to The International Telecommunications Union, representing almost 87% of the world's population. Industry experts, including IDC and Strategy Analytics, estimate that worldwide shipments of smart phones were approximately 490 million units, up over 60% from 2010, and representing over 31% of all handsets shipped. In June of 2012,Ericsson forecasts that mobile subscriptions will reach 9 billion in 2017, of which 5 billion will be mobile broadband connections . With recent estimates by Juniper Research that less than 1 in 20 smart phones and tablets have third-party security software installed in them, this represents a vast potential market for mobile security. According to Canalys, the U.S. market for mobile security is estimated to grow to over $3 billion annually by 2015.

Table of Contents

We have generated minimal revenue since our inception on September 12, 2002, and have incurred net losses of approximately $119million from cash and non-cash activity since inception through September30, 2012. Revenues generated from our business have not been sufficient to fund our current operations and we have relied on funds raised from the sale of our securities to provide sufficient cash to operate our business.

Corporate Relocation

We completed the move of our corporate headquarters, including a major portion of our software development team, to Minden, Nevada in the third quarter of 2011. We believe the move will enable us to draw from a more experienced labor pool for software design, as well as provide us with a significantly more favorable corporate tax environment. We currently anticipate that we will be subject to minimal corporate taxes for the remainder of 2012.

Business Development and Marketing Strategy:

We market our software products through distributor's retailers as well as insurance and warrantee providers. We are continuing to expand our current distribution base with scheduled launches throughout the remainder of the year. We will focus our distribution efforts in four vertical channels:

- Insurance and warranties: Assurant, Service Net and Lifestyle Group;
- Retail: Car Phone Warehouse, Best Buy Europe and Simplexity;
- Original Equipment Manufacturers: Sony;
- Carriers

Examples of our marketing partners within the four vertical distribution channels include Wirefly/Simplexity, Assurant/Federal Home Warranty, Life Styles Group (a UK warranty provider), Best Buy Europe, and Sony. We will continue to aggressively add additional partnerships. We expect our current partners will commence a number of scheduled launches of our services during 2012 and we are in late stage negotiations for a near term launch with a large international mobile communications company. We are also in various stages of negotiations with potential partners in the U.S., Brazil, India, the Middle East, South America, and the South Pacific. We are hopeful that these negotiations will result in additional partnerships in the coming quarters.

While, we believe the launch of our base offerings will be commercially successful, it is still too early, to determine the extent of its market penetration.

We continue to invest in our software development, particularly focusing on the smart phone market. We have added additional features, such as:

Last Known LocationPRO: View the approximate location of your registered phone(s) on an integrated map using the phone's built-in GPS.

Lock/Unlock PhonePRO: Remotely lock your phone to prevent unauthorized use and protect your personal information.

Display MessagePRO: Send a message to your phone that locks your phone and displays a message requesting that the Good Samaritan holding your phone contact you to return it.

Set Phone AlarmPRO: Locks your phone and sends a loud, audible alert directly to your phone to immediately pinpoint its location.

Erase PhonePRO: Remotely lock your phone and erase your contacts, photos, etc. from your phone. Since Wirefly Mobile Backup also backs up your contacts, photos, and more, you can easily transfer your stored data to your replacement device in minutes.

In the third quarter of 2011 we completed the first phase of development of a new suite of parental controls to enable parents to monitor and manage numerous aspects of their children's use of smart mobile devices. The parental controls are activated through a simple set-up wizard that helps users establish boundaries for monitoring up to 5 children's locations and times of daily activities like school, sports, and time with friends. Once specific rules are put into place by the subscriber, if the child's phone is not in the location it should be, the intelligent software automatically notifies the subscriber through email or text. Through the secure website and mobile devices a parent can view the exact movements of a monitored child to see where they have been. Additional functionalities are being developed which we anticipate will be released in the coming quarters

We believe our offerings will adapt to the customer's day-to-day needs, as our cloud system provides smart phones with the ability to link to our cloud and connect to multiple devices, which include PC's and tablets.

In addition, we are working on providing our partners with real time data analytics which will provide them with behavioral pattern matching and market research.

We have now converted our product to support the local language in the Netherlands and Spain. We have also begun translation of our product and documentation into the Turkish language which we anticipate will be launched December 2012.

In September 2010 we reached a distribution agreement with Simplexity, LLC., ("Simplexity"), the parent company of Wirefly.com. Simplexity, a privately held company, is the Internet's leading authorized seller of cell phones and wireless services. Wirefly is Simplexity's shopping and comparison site for consumers, bringing online shoppers an unprecedented selection of cell phones and service plans from every major U.S. carrier with the convenience of automated application processing and cell phone activation. For the last six years Wirefly has been the internet's #1 authorized dealer for AT&T, Verizon Wireless, Sprint, and T-Mobile. Simplexity also operates and maintains similar online websites for a number of major retailers in North America. We believe Simplexity is uniquely positioned in the U.S. market to reach potential mobile customers across a wide variety of carriers through online mobile sales sites they own or manage within North America. We anticipate the sales launch of our services through Simplexity's distribution network to progressively grow in 2012 and beyond. The service will be offered as an add-on or inclusive in the service packages such as "data protection," currently marketed by Simplexity to its channel partners and customers.

We opened a new distribution channel for our mobile platform through mobile insurance and warrantee providers. In North America we reached an agreement with Assurant (Federal Warranty Service Corporation). Assurant, which develops, underwrites, and markets specialty insurance, extended service contracts, and other risk management solutions with leading financial institutions, retailers, and other entities, has bundled us into their services. The first of their launches is with Sprint, a US-based cellular company. Our backup solution will be bundled into all warranties associated with tablet sales. We will be expanding our offerings and are currently doing translations for additional languages to support additional launches throughout 2012 and 2013.

We also have a distribution partnership with Lifestyle Services Group (LSG), provider of leading lifestyle solutions and insurance products. LSG specializes in supporting its client products brands, attracting customers, improving the customer journey, and reducing customer attrition rates. LSG's portfolio includes Mobile Phone Insurance, Card Protection and Tech Protect®, and The HubbTM , which allows clients to seamlessly integrate a complete suite of products and services all accessed via one number. Their customer base includes Virgin Mobile, Orange, "3", Phone, Phones 4 U, Barclay's and Lloyds bank. Bank of Scotland to name a few in the U.K. LSG has also amended our December 13, 2010 master services agreement in the third quarter of 2011 to include our parental controls functionality. Under the terms of the amended agreement, Spare Backup will supply the parental controls to LSG for distribution to LSG's affinity distribution channels.

We expect to be able to work with each LSG partner, including scheduled launches which occurred in Q3 of 2012 with Lloyds and a soft launch with the Bankof Scotland in Q3 of 2012, as these rolling launches continue, we expect to add customers and revenue accordingly as these partners increase their marketing and awareness of the product to their customers. The software is marketed as a way to not only protect data from loss, but to also increase the likelihood of retrieving a lost or stolen phone through the suite of security features. As mobile devices are becoming more prevalent and more powerful, we believe this channel should become a significant source of revenue to our company in the coming quarters. We anticipate that these companies will continue to roll out marketing programs progressively in 2012 and 2013.

Software Development

Our decision to expand the scope of our cloud-based platform into mobile backup and security required us to make substantial changes to our software to enhance the scalability and functionality of our services across a wide array of devices and platforms. This expansion delayed our ability to launch a number of important programs in 2011. Our development team continued to test and improve the mobile platform throughout the second half of 2011 and now feel that these changes enable us to complete launches with our marketing partners in 2012 and 2013. We believe with the improvements that we have made, we are able to handle carrier commitments that the company is currently negotiating to launch..

In the third quarter we began the full migration to an HTML-based platform for our distribution partners. We have begun launching with our marketing partners and anticipate a progressive roll out system-wide by the end of 2012. The sites will enable a full touchscreen interface to support all tablet and mobile device applications including Android, Blackberry, Windows and Apple. HTML will also enable quicker launch schedules for new customers, greater scalability, simplification of server technology, and faster maintenance.

We also began the upgrade of our hardware in the third quarter of 2011 to a scalable storage platform capable of supporting millions of users for our software products. Through a unique cloud-like structure, this new platform can be infinitely scaled as usage increases by the combined use of additional network storage and virtual machine arrays (VMWARE). Upon completion all user backup data will be stored on state of the art NetAPP SAN storage. User account information and transactional information will be stored in a secure SQL-Server redundant distributed database utilizing special high-speed RAID drives. In addition, our IIS web servers each can support thousands of simultaneous users. Combining this with our new, scalable virtual machine array allows the system to be used by millions of users.

We believe that through our software and hardware improvements we are now better positioned to begin the launches of Assurant, Simplexity, LSG and other potential partners in 2012 and 2013. The above partnerships represent multiple opportunities, as each of the companies has different distributors and strategic alliances marketing their products. We will continue to enhance our platform nonetheless. We believe the backbone for our service platform has been substantially developed. We have added new features to our existing services that will continue rolling out throughout 2012 that will accelerate revenue from our distribution.

Results of Operations for the three-month and nine-month periods ended September 30, 2012 compared to the three-month and nine-month periods ended September 30, 2011

SPARE BACKUP, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF OPERATIONS

	Three-month periods ended September 30, 2012 (Unaudited)	Three-month periods ended September 30, 2011 (Unaudited)	Increase/ (Decrease) in $ 2012 vs 2011	Increase/ (Decrease) in % 2012 vs 2011	Nine-month periods ended September 30, 2012 (Unaudited)	Nine-month periods ended September 30, 2011 (Unaudited)	Increase/ (Decrease) in $ 2012 vs 2011	Increase/ (Decrease) in % 2012 vs 2011
Revenues:	$ 66,099	$ 153,568	$ (87,469)	-56.9%	$ 434,765	$ 347,071	$ 87,694	25.3%
Operating expenses:								
Research and development	216,135	501,380	(285,245)	-56.9%	596,027	1,159,935	(563,908)	-48.6%
Selling, general and administrative	755,253	1,093,789	(338,536)	-31.0%	2,927,733	4,450,281	(1,522,548)	-34.2%
Total operating expenses	971,388	1,595,169	(623,781)	-39.1%	3,523,760	5,610,216	(2,086,456)	-37.2%
Operating loss	(905,289))	(1,441,601)	536,312	-37.2%	(3,088,9957)	(5,263,145)	2,174,150	-41.3%
Other income (expense):								
Change in fair value of derivative liabilities	168,806	(1,552,858)	1,721,664	-110.9%	155,936	577,076	(421,140)	NM
Gain from debt settlement	—	—	—	NM	446,387	—	446,387	NM
Interest expense	(283,393)	(252,699)	30,694	12.1%	(402,235)	(643,470)	(241,235)	-37.5%
Other loss	(715)	—	715	NM	(1,827)	—	1,827	NM
Total other income (expense)	(115,302)	(1,805,557)	1,690,255	-93.6%	198,261	(66,394)	264,655	-398.6%
Net loss	(1,020,591)	(3,247,158)	(2,218,635)	-68.3%	(2,890,734)	(5,329,539)	(2,438,805)	-45.8%

NM: Not Meaningful

Revenues

Our net revenues primarily consist of fees charged for the hosting, development and modification of portals related to the support of our online back-up services, as well as monthly subscriptions. Our net revenues decreased during the three-month periods ended September 30, 2012, when compared to the prior year period, due to a decrease in fees associated with the development of portals during the three-month period ended September 30, 2012, offset by an increase in monthly subscription revenues. Our net revenues increased during the nine-month period ended September 30, 2012, when compared to the prior year period, due to an increase in the number of software development projects in the first quarter of 2012, in combination with growing subscription revenues attributable to a larger number of users of our products and several new hosting agreements during the nine-month period ended September 30, 2012.

We believe that our monthly subscription revenues will continue to grow sequentially during the remainder of 2012. We believe that our portal-related revenues will vary depending on how many new distribution partners begin these marketing programs for the remainder of 2012.

Research and Development

Research and development expenses consist primarily of compensation expenses paid to our software engineers, employees and consultants in conjunction with the development or enhancement of our products. Our research and development expenses for the three-month and nine-month periods ended September 30, 2012 include costs associated with continued development of user interfaces and enhancements of existing products.

Research and development expenses during the three-month and nine-month periods ended September 30, 2012 decreased due to reduced research and development related payroll expenses to provide for the maintenance and upgrades of existing portals during the first half of 2012, while the Company was still developing such portals in the comparable periods of the prior year.

Selling, General, and Administrative Expenses

Selling, general, and administrative expenses primarily consist of consultant fees related to the marketing of our products, advertising, as well as other general and administrative expenses, such as payroll expenses, necessary to support our existing and anticipated growth in our revenues and legal and professional fees.

The decrease in selling, general and administrative expenses during the three-month period ended September 30, 2012, when compared with the prior period, is primarily due to a shift of our resources allocated to our marketing efforts from customer acquisition to enhancing our existing distribution channels, which is less costly. In addition, the shift toward developing our current distribution channels has allowed us to significantly decrease our payroll and related expenses due to increased focus and efficiency. Selling, general and administrative expenses during the nine-month period ended September 30, 2012, when compared with the prior period, are decreased

Change in Fair Value of Derivative Liabilities

Change in fair value of derivative liabilities results from the changes in the fair value of the derivative liability due to the application of ASC 815, resulting in either income or expense, depending on the difference in fair value of the derivative liabilities between their measurement dates. The decrease in fair value of derivative liabilities recognized during the three-month and nine-month periods ended September 30, 2012, when compared to the prior year period, is primarily due to a decrease in our share price between measurement dates. Our share price is one of the main assumptions in our computation of derivative liabilities.

Interest Expense

Interest expense consists primarily of interest on our convertible promissory notes and the amortization of debt discount. The decrease in interest expense during the three-month and nine-month periods ended September 30, 2012 is primarily due to the fair value of shares issued in connection with notes payable and the amortization of debt discount during the three-month and nine-month periods ended September 30, 2011. We recognized the amortization of debt discount over the terms of their respective promissory notes, which matured during the latter part of the fiscal 2010 and the first half of 2011.

Liquidity and Capital Resources

Sources of liquidity and capital resources

	Ending balance at September 30		Average balance during nine-month periods	
	2012	2011	2012	2011
Cash	$ —	$ 162,759	$ —	$ 81,380
Accounts receivable, net of allowance for bad debt	113,333	140,855	112,031	84,696
Accounts payable and accrued expenses	3,463,6603	3,767,719	3,538,789	3,378,607
Convertible notes payable excluding debt discount	2,542,853	1,921,459	2,230,794	2,089,165
Notes payable, excluding debt discount	508,000	452,100	647,800	672,300

At September 30, 2012 and 2011, 51% and 58%, respectively, of our total assets consisted of cash and cash equivalents and accounts receivable.

We extend unsecured credit in the normal course of business to our customers. The determination of the appropriate amount of the reserve for uncollectible accounts is based upon a review of the amount of credit extended, the length of time each receivable has been outstanding, and the specific customers from whom the receivables are due.

The objective of liquidity management is to ensure that we have ready access to sufficient funds to meet commitments while implementing our growth strategy. Our primary sources of liquidity include the sale of our securities and other financing activities, such as the issuance of a convertible promissory notes and notes payable aggregating $456,000 during the nine-month period ended September 30, 2012. We cannot ascertain that we have sufficient funds from operations to fund our ongoing operating requirements through December 31, 2012. We may need to raise funds to enhance our working capital and use them for strategic purposes. If such need arises, we intend to generate proceeds from either debt or equity financing.

Table of Contents

We do not have any material commitments for capital expenditures. We routinely purchase computer equipment and technology to support our products and their development, and such capital expenditures have ranged between $1,055 and $10,265 during the nine-month periods ended September 30, 2012 and 2011.

	Nine-Month Periods Ended September 30 2012	2011
Cash flows from operating activities		
Net loss	$ (2,890,734)	$ (5,329,539)
Non-cash adjustments		
Change in fair value of derivative liabilities	(155,936)	(577,076)
Fair value of options and warrants issued for services	338,384	468,346
Fair value of warrants issued for accrued interest	12,500	472,458
Fair value of warrants issued to convertible promissory note holders	—	
Fair value of stock issued in connection with services rendered	804,730	5,83,325
Fair value of convertible promissory notes modifications	—	
Fair value of common stock issued in connection with notes payable issuance	—	44,000
Fair value of common stock issued to satisfy accrued interest	137,510	—
Gain on extinguishment of debt	(446,387)	—
Depreciation and amortization	51,681	110,715
Bad debt	(1,346)	—
Amortization of debt discount	209,703	29,964
Accounts receivable	8,292	(72,330)
Prepaid expense and other current assets	37,871	25,865
Deferred financing costs	(2,959)	—
Accounts payable, accrued expenses, and accrued payroll taxes	377,273	1,369,084
Accrued interest on convertible promissory notes	29,945	2,567
Net cash provided by (used in) operating activities	(1,489,474)	(2,872,621)
Cash flows from investing activities		
Purchase of fixed assets and other, net	(1,055)	(10,265)
	(1,055)	(10,265)
Cash flows from financing activities		
Proceeds from issuance of convertible promissory notes payable	782,000	50,000
Proceeds from issuance of notes payable	25,000	367,600
Repayment of notes payable	—	(163,000)
Net proceeds from issuance of common stock for cash	612,250	1,166,894
Cash overdraft	(54,621)	(127,321)
Proceeds from exercise of warrants	47,500	112,008
Proceeds from exercise of stock options	78,400	90,000
Net cash provided by financing activities	1,490,529	1,496,181
Net increase in cash	—	(1,386,705)

Nine months ended September 30, 2012

The increase in accounts receivable as of September 30, 2012 is primarily due to slower payment processing by our primary clients. The decrease in accounts payable and accrued expenses during the nine-month period ended September 30, 2012 is primarily due to a decrease in our operating expenses, in combination with a series of accounts payable adjustments made during the nine-month period ended September 30, 2012 for unenforceable debts.

Cash used in investing activities during the nine-month period ended September 30, 2012 consists of the purchase of computer equipment of approximately $1,055.

Cash provided by financing activities of approximately $1,572,407 during the nine-month period ended September30, 2012 resulted from the proceeds from the issuance of convertible promissory notes and notes payable of $698,250, proceeds from the issuance of common stock for cash of approximately $777,877, and the exercise of warrants and options of approximately $125,900, offset by a cash overdraft of approximately $54,620.

Nine months ended September 30, 2011

The increase in accounts receivable as of September 30, 2011 is primarily due to slower payment processing by our primary clients. The increase in accounts payable and accrued expenses during the nine-month period ended September 30, 2012 is primarily due to slower payment processing to vendors relating to a decrease in liquidity following a decrease in our revenues.

Cash used in investing activities during the nine-month period ended September 30, 2011 consisted of capital expenditures of approximately $10,265.

Cash provided by financing activities of approximately $2.8 million consisted of the proceeds from notes payable and convertible notes promissory notes of $857,600, and the net proceeds from the issuance of our common stock of approximately $1.9 million offset by principal repayments of certain notes payable aggregating $163,000 and the funding of our overdraft of approximately $127,321. Additionally, we generated proceeds from exercise of options and warrants aggregating approximately $387,442.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements.

Capital Raising Transactions

During the nine-month period ended September 30,2012, we issued an aggregate 20,501,904 shares of our common stock pursuant to a private placement which generated gross proceeds of approximately $457,000.

Going Concern

We have generated minimal revenue since our inception on September 12, 2002, and have incurred net losses of approximately $119 million from cash and non-cash activity since inception through September 30, 2012. Our current operations are not an adequate source of cash to fund our current operations and we have relied on funds raised from the sale of our securities to provide sufficient cash to operate our business. The report of our independent registered public accounting firm on our financial statements for the year ended December 31, 2011 contains an explanatory paragraph regarding our ability to continue as a going concern based upon our net losses and cash used in operations. Our ability to continue as a going concern is dependent upon our ability to obtain the necessary financing to meet our obligations and repay our liabilities when they become due and to generate profitable operations in the future. If we are unable to raise capital as needed, it is possible that we would be required to cease operations. The financial statements included in this report do not include any adjustments to reflect future adverse effects on the recoverability and classification of assets or amounts and classification of liabilities that may result if we are not successful.

Critical Accounting Policies

A summary of significant accounting policies is included in Note 2 to the audited consolidated financial statements included elsewhere in this annual report. We believe that the application of these policies on a consistent basis enables our company to provide useful and reliable financial information about the company's operating results and financial condition.

The preparation of financial statements in conformity with generally accepted accounting principles 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 period. Actual results may differ from those estimates.

Effective January 1, 2006, we adopted the provisions of ASC Topic 718 "Compensation-Stock Compensation" under the modified prospective method. ASC 718 eliminates accounting for share-based compensation transactions using the intrinsic value method prescribed under APB Opinion No. 25, "Accounting for Stock Issued to Employees," and requires instead that such transactions be accounted for using a fair-value-based method. Under the modified prospective method, we are required to recognize compensation cost for share-based payments to employees based on their grant-date fair value from the beginning of the fiscal period in which the recognition provisions are first applied. For periods prior to adoption, the financial statements are unchanged, and the pro forma disclosures previously required by ASC 718, will continue to be required under ASC 718 to the extent those amounts differ from those in the Consolidated Statement of Operations.

The Company follows the guidance of the Securities and Exchange Commission's Staff Accounting Bulletin No. 104, "Revenue Recognition in Financial Statements". The Company records revenue when persuasive evidence of an arrangement exists, on-line back-up services have been rendered, the sales price to the customer is fixed or determinable, and collectability is reasonably assured. Online backup service fees received in advance are reflected as deferred revenue on the accompanying balance sheet. Deferred revenue as of September 30, 2012 amounted to $102,500 and will be recognized as revenue over the respective service period.

Revenue consists of the gross value of billings to clients. The Company reports this revenue gross in accordance with EITF 99-19 because it is responsible for fulfillment of the service, has substantial latitude in setting price and assumes the credit risk for the entire amount of the sale, and it is responsible for the payment of all obligations incurred for sales marketing and commissions.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Not applicable for a smaller reporting company.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We do not maintain proper “disclosure controls and procedures” as such term is defined in Rule 13a-15(e) under the Securities Exchange Act of 1934. In designing and evaluating our disclosure controls and procedures, our management recognized that disclosure controls and procedures, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of disclosure controls and procedures are met. Additionally, in designing disclosure controls and procedures, our management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible disclosure controls and procedures. The design of any disclosure controls and procedures also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Based on his evaluation as of the end of the period covered by this report, our President who also serves as our principal financial and accounting officer, has concluded that our disclosure controls and procedures were not effective in providing reasonable assurance that information required to be disclosed in our reports under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods prescribed by SEC rules and regulations, and that such information is not accumulated and communicated to our management, including our President to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting during our last fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

The Company has appealed to the California Court of Appeals in a matter involving a consultant. The issue on appeal is the California Superior Court’s failure to disregard a NY state court judgment for approximately $100,000, which the Company asserts was improperly entered and, therefore, should not be recognized as a valid sister state judgment. The Company’s likelihood of success on this appeal cannot be determined at this time.

In November 2011, a note holder filed suit against the Company in Nevada State Court in Douglas County, alleging breach of a promissory debenture. The Company has filed motions to dismiss the action based on the fact that the note holder has been dissolved and the Company has entered into individual agreements with its former partners. The case has not been set for trial and, as of this date, there is a low likelihood of an unfavorable outcome.

In February 2011, a former employee filed suit against the Company alleging various employment related claims. The Company conducted litigation and discovery and on April 4, 2012, the case was settled in exchange for a judgment of $125,000.

In February 2012, a former employee filed suit against the Company alleging various employment related claims. The Company conducted litigation and discovery, the case is set for trial later this year.

In June 2012, a vendor filed suit against the Company for breach of contract related to call center services they provided. The Company is currently conducting litigation and discovery, the case is not yet set for trial.

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

During the three-month period ended September30, 2012, we issued 13,375,000 shares of common stock to five investor relation providers and consultants for service performed at a fair value of $456,840 or $0.03-0.048 per share. These private transactions are exempt from registration under the Securities Act of 1933 in reliance on exemptions provided by Section 4(2) of that Act.

During the three-month period ended September 30, 2012, we issued in aggregate 7,978,571 shares of our common stock to 8 accredited investors pursuant to a private placement which generated gross proceeds of approximately $151,000 or $0.018 per share. These private transactions are exempt from registration under the Securities Act of 1933 in reliance on exemptions provided by Regulation D, Rule 506 and Section 4(2) of that act.

During the nine-month period ended September 30, 2012, we issued 694,488 shares of common stock to 30 accredited investors in connection with the payment of accrued interest of the 8% and 10% convertible promissory notes. The fair value of such shares issued amounted to $34,285 or $0.05 per share. These private transactions are exempt from registration under the Securities Act of 1933 in reliance on exemptions provided by Section 4(2) of that Act.

Item 3. Defaults Upon Senior Securities

None.

Item 4. [Removed and Reserved]

None.

Item 5. Other Information

Item 6. Exhibits

31.1 Rule 13a-14(a)/ 15d-14(a) Certification of Chief Executive Officer

31.2 Rule 13a-14(a)/ 15d-14(a) Certification of principal financial and accounting officer

32.1 Section 1350 Certification of Chief Executive Officer and principal financial and accounting officer

Table of Contents

SIGNATURES

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

SPARE BACK UP, INC.

Dated: January 17, 2013

By: /s/ Cery B. Perle

Cery B. Perle
President, Chief Executive Officer and Director
and Principal Financial and Accounting Officer

Exhibit 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
Pursuant to Rule 13a-14(a) and 15d-14(a)
Under the Securities Exchange Act of 1934, as Amended

I, Cery B. Perle, certify that:

1. I have reviewed this quarterly report on Form 10-Q/A of Spare Backup, Inc for the period ended September30, 2012;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the period presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal controls over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: January 17, 2013
/s/ Cery B. Perle
Cery B. Perle
President, Chief Executive Officer and Director

Exhibit 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL AND ACCOUNTING OFFICER
Pursuant to Rule 13a-14(a) and 15d-14(a)
Under the Securities Exchange Act of 1934, as Amended

I, Cery B. Perle, certify that:

1. I have reviewed this quarterly report on Form 10-Q/A of Spare Backup, Inc for the period ended September 30, 2012;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the period presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal controls over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: January 17, 2013
/s/ Cery B. Perle
Cery B. Perle
Principal financial and accounting officer

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly report (the "Report") of Spare Backup, Inc. (the "Company") on Form 10-Q/A for the quarter ended September 30, 2012 as filed with the Securities and Exchange Commission on the date hereof, I, Cery B. Perle, Chief Executive Officer and principal financial and accounting officer of the Company, certify, pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: January 17, 2013

By: /s/ Cery B. Perle
Cery B. Perle
President, Chief Executive Officer and Director
(Principal executive officer, principal financial and accounting officer)

SEGMENTS (Details)	Sep. 30, 2012	Sep. 30, 2011
United States		
Percentage Of Sales	39.00%	11.00%
Europe		
Percentage Of Sales	61.00%	89.00%

DERIVATIVE LIABILITIES (FAIR VALUE OF DERIVATIVE INSTRUMENTS) (Details) (USD $)	9 Months Ended	
	Sep. 30, 2012	Sep. 30, 2011
Expected volatility:	76.00%	78.00%
Term, Minimum	1 year	1 year
Term, Maximum	3 years	
Risk-free interest rate, Minimum	0.06%	0.28%
Risk-free interest rate, Maximum	0.31%	1.93%
Minimum		
Exercise price:	0.013	0.05
Market price at date of grant	0.032	0.09
Maximum		
Exercise price:	0.029	0.13
Market price at date of grant	0.043	0.13

PROPERTY AND EQUIPMENT (Details) (USD $)	Sep. 30, 2012	Dec. 31, 2011	9 Months Ended Sep. 30, 2012 Minimum EquipmentMember	Sep. 30, 2012 Maximum EquipmentMember
Property, Plant and Equipment [Line Items]				
Computer And Office Equipment, Gross	$ 378,470	$ 377,415		
Less: Accumulated Depreciation	331,026	279,345		
Computer And Office Equipment, Net	$ 47,444	$ 98,070 [1]		
Estimated Useful Life			3 years	5 years

[1] Derived from audited financial statements.

COMMITMENTS AND CONTINGENCIES (Narrative) (Details) (USD $)	9 Months Ended Sep. 30, 2012	12 Months Ended Dec. 31, 2011	Apr. 04, 2012
Litigation Amount	100,000		
Promissory Note Member			
Suit Filed Date		November 2011	
Litigation By		Note Holder	
Type of Allegations		Breach of Promissory Debentures	
Employment Related Member			
Suit Filed Date	February 2012	February 2011	
Litigation By	Former Employee	Former Employee	
Type of Allegations	Various Employment Related Claims	Various Employment Related Claims	
Date of Trial		2012-04	
Settlement Agreement Consideration			$ 125,000
CallCenterServicesMember			
Suit Filed Date	June 2012		
Litigation By	Vendor		
Type of Allegations	Breach Of Contract Related To Call Center Services		

(STOCKHOLDERS DEFICIT) (FAIR VALUE OF STOCK OPTIONS GRANTED) (Details) (USD $)	9 Months Ended	
	Sep. 30, 2012	Sep. 30, 2011
Stockholders Deficit Fair Value Of Stock Options Granted Details		
Exercise Price, Lower Range Limit	$ 0.02	$ 0.03
Exercise Price, Upper Range Limit	$ 0.05	$ 0.08
Market Price at Date of Grant Minimum	$ 0.021	$ 0.08
Market Price at Date of Grant Maximum	$ 0.07	$ 0
Expected Volatility Minimum	76.15%	50.00%
Expected Volatility Maximum	76.21%	69.00%
Risk-free Interest Rate Minimum	0.51%	0.63%
Risk-free Interest Rate Maximum	0.72%	1.76%

ACCRUED PAYROLL TAXES	9 Months Ended Sep. 30, 2012
ACCRUED PAYROLL TAXES	**NOTE 4-ACCRUED PAYROLL TAXES** At September 30, 2012, the Company recorded a liability of approximately $4.3 million to certain U.S. and state governmental agencies for unpaid payroll taxes, including statutory additions, such as interest and penalties.

RELATED PARTY TRANSACTIONS (Narrative) (Details) (Chief Executive Officer, USD $)	9 Months Ended	
	Sep. 30, 2012	Sep. 30, 2011
Chief Executive Officer		
Related Party Transaction [Line Items]		
Payment Of Rent For Property Owned By The Chief Executive Officer Of The Company	$ 0	$ 2,500

CONVERTIBLE PROMISSORY NOTES (CONVERTIBLE NOTE PAYABLE) (Details) (Parenthetical) (Convertible Notes Payable)	9 Months Ended	
	Sep. 30, 2012	Sep. 30, 2011
Convertible Notes Payable		
Debt Conversion [Line Items]		
Issuance of common srtock pursuant to conversion of convertible notes payable	0	11,760,000
Common stock issued to satisfy accrued interest obligation	2,166,737	955,029

CONVERTIBLE PROMISSORY NOTES (CONVERTIBLE NOTE PAYABLE) (Details) (USD $)	9 Months Ended	
	Sep. 30, 2012	Sep. 30, 2011
Debt Conversion [Line Items]		
Repricing of certain convertible promissory notes from $0.16 to $0.12 per share recorded as interest expenses		
Proceeds from issuance of convertible notes payable	782,000	50,000
Amortization of debt discount	209,703	40,761
Original issuance discount on convertible notes payable	14,545	
Convertible Note Payable Member		
Debt Conversion [Line Items]		
Type of original debt converted	Convertible Notes Payable	
Converted Instrument Amount		818,500
Type of converted instrument	Issuance of -0- and11,760,000 shares of common stock	
Promissory Note Member		
Debt Conversion [Line Items]		
Type of original debt converted	Promissory Note Holders Recorded As Interest Expense	
Converted Instrument Amount		207,910
Type of converted instrument	Issuance of warrants	
Accrued Interest Obligation		
Debt Conversion [Line Items]		
Type of original debt converted	Accrued Interest Obligation	
Converted Instrument Amount	137,510	50,995
Type of converted instrument	Issuance of 2,166,737 and 955,029 shares of common stock	
Debt Discount		
Debt Conversion [Line Items]		
Type of original debt converted	Conversion features recorded as corresponding debt discount	
Converted Instrument Amount	672,217	47,672
Type of converted instrument	Issuance of warrants	
Accrued Interest Obligation 1		
Debt Conversion [Line Items]		
Type of original debt converted	Accrued Interest Obligation	
Converted Instrument Amount		
Type of converted instrument	Issuance of warrants	
Notes Payable		
Debt Conversion [Line Items]		
Type of original debt converted	Notes payable	
Converted Instrument Amount	$ 302,600	
Type of converted instrument	Convertible Notes Payable	

CONVERTIBLE PROMISSORY NOTES (NOTE PAYABLE) (Details) (USD $)	9 Months Ended	
	Sep. 30, 2012	Sep. 30, 2011
Debt Instrument [Line Items]		
Principal Repayments		$ 163,000
Fair value of -0- and 955,029 shares of common stock to satisfy accrued interest obligations	137,510	
NotesPayable 1		
Debt Instrument [Line Items]		
Type of original debt converted	Notes Payable	
Issuance of -0- and 12,496,000 shares to satisfy obligations under certain notes payable	257,000	
Type of converted instrument	Convertible Notes Payable	
Accounts Payable		
Debt Instrument [Line Items]		
Type of original debt converted		Accounts Payable
Issuance of -0- and 12,496,000 shares to satisfy obligations under certain notes payable		37,500
Type of converted instrument		Notes Payable
Notes Payable Member		
Debt Instrument [Line Items]		
Principal Repayments		163,000
Proceeds from issuance of note payable	23,000	367,600
Fair value of -0- and 955,029 shares of common stock to satisfy accrued interest obligations		115,874
Issuance of -0- and 12,496,000 shares to satisfy obligations under certain notes payable		$ 759,500

CONVERTIBLE PROMISSORY NOTES (NOTE PAYABLE) (Details) (Parenthetical) (Notes Payable Member)	9 Months Ended	
	Sep. 30, 2012	Sep. 30, 2011
Notes Payable Member		
Debt Instrument [Line Items]		
Shares issued to satisfy accrued interest obligations	0	955,029
Issuance of shares to satisfy obligations under certain notes payable	0	12,496,000

PROPERTY AND EQUIPMENT	9 Months Ended Sep. 30, 2012
PROPERTY AND EQUIPMENT	**NOTE 3- PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following:

	Estimate Life	September 30, 2012	December 31, 2011
Computer and office equipment	3 to 5 years	$ 378,470	$ 377,415
		378,470	377,415
Less: Accumulated depreciation		(331,026)	(279,345)
		$ 47,444	$ 98,070

Depreciation expense amounted to approximately $51,681 and $110,715 during the nine-month periods ended September 30, 2012 and 2011, respectively.

DERIVATIVE LIABILITIES (SCHEDULE OF DERIVATIVE LIABILITIES) (Details) (USD $)	9 Months Ended		
	Sep. 30, 2012		Sep. 30, 2011
Derivative Liabilities Schedule Of Derivative Liabilities Details			
Derivative liability		[1]	$ 470,871
Reclassification of equity contracts to liability contracts			2,407,261
Reclassification of liability contracts to equity contracts			(656)
Issuance of warrants			200,000
Issuance of embedded conversion features, recognized as interest expense	672,217		
Decrease In fair value of derivative liability, recognized as other income			(838,844)
Increase in fair value of derivative liability, recognized as other income	(155,936)		
Derivative liability	$ 516,281		$ 2,238,832

[1] Derived from audited financial statements.

SIGNIFICANT ACCOUNTING POLICIES (Narrative) (Details)	9 Months Ended						
	Sep. 30, 2012 CustomerConcentrationRiskMember	Sep. 30, 2011 CustomerConcentrationRiskMember	Sep. 30, 2012 CustomerConcentrationRisk1Member	Sep. 30, 2012 United States	Dec. 31, 2011 United States	Sep. 30, 2012 United Kingdom Member	Dec. 31, 2011 United Kingdom Member
Accounts Receivable Due				43.00%	16.00%	17.00%	96.00%
Customer Concentration Percentage	43.00%	50.00%	17.00%				

CONSOLIDATED BALANCE SHEETS (USD $)	Sep. 30, 2012	Dec. 31, 2011	
Current Assets:			
Cash			[1]
Accounts receivable, net allowance for bad debt of $98,623 and $100,000	113,333	120,248	[1]
Prepaid expenses		10,599	[1]
Total current assets	113,333	130,847	[1]
Property and equipment, net of accumulated depreciation of $331,026 and $279,345	47,444	98,070	[1]
Deferred Financing Costs	2,959		[1]
Other assets	58,250	85,522	[1]
Total assets	221,986	314,439	[1]
Current Liabilities:			
Accounts payable and accrued expenses	3,463,660	3,615,504	[1]
Overdraft liability	16,130	70,750	[1]
Accrued payroll taxes	4,397,445	4,314,670	[1]
Convertible promissory notes, net of unamortized debt discount of $447,061 and -0-	2,542,853	1,918,735	[1]
Accrued interest on convertible promissory notes	244,948	215,004	[1]
Notes payable	508,000	787,600	[1]
Derivative liabilities	516,281		[1]
Deferred revenue	102,500	102,500	[1]
Due to stockholder	15,000	15,000	[1]
Total current liabilities	11,806,818	11,039,763	[1]
Stockholders' Deficit:			
Preferred stock, $0.001 par value, 5,000,000 shares authorized:150,000 issued and outstanding	150	150	[1]
Common stock; $.001 par value; 450,000,000 shares authorized; 370,093,881 and 303,943,573 issued; 366,793,881 and 303,943,573 outstanding at September 30, 2012 and December 31, 2011, respectively	366,793	303,943	[1]
Additional paid-in capital	107,733,517	105,765,093	[1]
Accumulated deficit	(119,685,291)	(116,794,510)	[1]
Total stockholders' deficit	(11,584,831)	(10,725,324)	[1]
Total liabilities and stockholders' deficit	$ 221,986	$ 314,439	[1]

[1] Derived from audited financial statements.

ORGANIZATION, BASIS OF PRESENTATION AND GOING CONCERN	9 Months Ended Sep. 30, 2012
ORGANIZATION, BASIS OF PRESENTATION AND GOING CONCERN	**NOTE 1 - ORGANIZATION, BASIS OF PRESENTATION AND GOING CONCERN**

Spare Backup, Inc., (the "Company") was incorporated in Delaware in December 1999. The Company sells on-line backup solutions software and services to individuals, business professionals, small office and home office companies, and small to medium sized businesses.

The balance sheet presented as of September 30, 2012 has been derived from our audited financial statements. The unaudited financial statements have been prepared pursuant to the rules and regulations of the SEC. Certain information and footnote disclosures normally included in the annual financial statements prepared in accordance with accounting principles generally accepted in the United States of America, have been omitted pursuant to those rules and regulations, but we believe that the disclosures are adequate to make the information presented not misleading. The financial statements and notes included herein should be read in conjunction with the annual financial statements and notes for the year ended December 31, 2011 included in our Annual Report on Form 10-K filed on April 26, 2012. The results of operations for the nine-month period ended September 30, 2012 are not necessarily indicative of the results for the year ending December 31, 2012.

The accompanying consolidated unaudited financial statements have been prepared on a going concern basis. The Company has incurred net losses of approximately $2.9 million during the nine-month period ended September 30, 2012 and its current liabilities exceed its current assets by $11.7 million. The Company's ability to continue as a going concern is dependent upon its ability to obtain the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they come due, and to generate profitable operations in the future. Management plans to continue to provide for its capital requirements by issuing additional equity securities and debt. The outcome of these matters cannot be predicted at this time and there are no assurances that if achieved, the Company will have sufficient funds to execute its business plan or generate positive operating results.

These matters, among others, raise substantial doubt about the ability of the Company to continue as a going concern. These financial statements do not include any adjustments to the amounts and classification of assets and liabilities that may be necessary should the Company be unable to continue as a going concern.

The accompanying consolidated unaudited financial statements include the accounts of Spare Backup and its wholly-owned subsidiary. All material inter-company balances and transactions have been eliminated in consolidation.

STOCKHOLDERS DEFICIT (SCHEDULE OF ISSUANCE OF WARRANTS) (Details) (USD $)	9 Months Ended	
	Sep. 30, 2012	Sep. 30, 2011
Class of Warrant or Right [Line Items]		
Value Of Warrants Issued		$ 200,000
Warrants Issued For Private Placement		
Class of Warrant or Right [Line Items]		
Warrants Issued Under Private Placement	7,350,000	1,090,000
Exercise Price Of Warrants Issued		$ 0.09
Expiration Date Of Warrants		2014-01-05
Value Of Warrants Issued		
Warrants Issued For Private Placement | Minimum		
Class of Warrant or Right [Line Items]		
Exercise Price Of Warrants Issued	$ 0.01	
Expiration Date Of Warrants	2015-04-01	
Warrants Issued For Private Placement | Maximum		
Class of Warrant or Right [Line Items]		
Exercise Price Of Warrants Issued	$ 0.07	
Expiration Date Of Warrants	2015-06-29	
Warrants Issued For Notes Payable		
Class of Warrant or Right [Line Items]		
Warrants Issued For Non Cash Consideration	100,000	
Exercise Price Of Warrants Issued	$ 0.03	
Expiration Date Of Warrants	2015-05-07	
Value Of Warrants Issued	2,900	
Warrants Issued For Services		
Class of Warrant or Right [Line Items]		
Warrants Issued For Non Cash Consideration	1,000,000	
Exercise Price Of Warrants Issued	$ 0.018	
Expiration Date Of Warrants	2015-05-21	
Value Of Warrants Issued	23,000	
Warrants Issued For Finders Fees		
Class of Warrant or Right [Line Items]		
Warrants Issued For Non Cash Consideration		4,575,000
Value Of Warrants Issued		
Warrants Issued For Finders Fees | Minimum		
Class of Warrant or Right [Line Items]		
Exercise Price Of Warrants Issued		$ 0.05
Expiration Date Of Warrants		2014-02-14
Warrants Issued For Finders Fees | Maximum		
Class of Warrant or Right [Line Items]		
Exercise Price Of Warrants Issued		$ 0.012

Expiration Date Of Warrants	2014-01-05
Warrants Issued For Conversion Of Notes Payable	
Class of Warrant or Right [Line Items]	
Warrants Issued On Conversion	166,667
Exercise Price Of Warrants Issued	$ 0.16
Expiration Date Of Warrants	2013-01-04
Value Of Warrants Issued	
Warrants Issued For Accrued Interest On Conversion Of Notes Payable	
Class of Warrant or Right [Line Items]	
Warrants Issued On Conversion	19,981
Exercise Price Of Warrants Issued	$ 0.16
Expiration Date Of Warrants	2013-01-14
Value Of Warrants Issued	198
Warrants Issued For Convertible Promissory Note	
Class of Warrant or Right [Line Items]	
Warrants Issued For Non Cash Consideration	5,000,000
Exercise Price Of Warrants Issued	$ 0.09
Expiration Date Of Warrants	2016-06-17
Value Of Warrants Issued	

STOCKHOLDER'S DEFICIT (Tables)	9 Months Ended Sep. 30, 2012

Stockholders Deficit Tables

Schedule Of Issuance Of Common Stock

The issuance of common stock during the nine-month period ended September 30, 2011 is summarized in the table below:

	Number of Shares of Common Stock	Fair Value at Issuance	Fair Value at Issuance (per share)
Accrued Interest Payment for 8% and 10% convertible promissory notes	517,623	$ 38,495	$ 0.07
Services performed- Investor relations	5,395,000	701,325	0.04-0.10
Exercised stock options	4,000,000	100,000	0.01-0.03
Exercised warrants	5,109,403	285,442	0.05-.06
Conversion of convertible promissory notes and notes payable	29,033,591	1,711,508	0.05-0.10
Private placement, net of finder' s fee of $57,330	41,258,336	1,852,727	.03-.06
Interest associated with issuance of notes payable	500,000	44,000	.088

The issuance of common stock during the nine-month period ended September 30, 2012 is summarized in the table below:

	Number of Shares of Common Stock	Fair Value at Issuance	Fair Value at Issuance (per share)
Services performed- Investor relations	5,850,000	$ 196,050	$ 0.03-0.072
Services performed-Consulting	13,725,000	585,340	0.03-0.07
Accrued interest payment for 8% and 10% convertible promissory notes	2,116,737	137,510	0.05-0.12
Exercise of stock options	3,640,000	78,400	0.025
Private placement	33,251,904	612,250	0.01-0.05
Exercised warrants	4,000,000	47,500	0.01-0.03

Schedule Of Issuance Of Warrants

The issuance of warrants during the nine-month period ended September 30, 2011 is summarized in the table below:

Association	Number of Warrants	Exercise Price	Expiration Date	Value at Issuance
Private Placement	1,090,000	$ 0.09	1/5/2014	$ –
Finder's Fees	4,575,000	$ 0.05 - 0.012	2/14/14 - 1/5/14	–
Conversion of 8%				
Note payable	166,667	$ 0.16	1/14/ 2013	–
Accrued interest on				
Conversion of 8%				

Note payable	19,981	$	0.16	1/14/ 2013	198
Issuance of convertible					
Promissory note	5,000,000	$	0.09	6/17/ 2016	–

The issuance of warrants during the nine-month period ended September 30, 2012 is summarized in the table below:

Association	Number of Warrants	Exercise Price	Expiration Date	Value at Issuance
Private Placement	7,350,000	$0.01-0.07	4/1/15 - 6/29/15	$ –
Issuance of Note payable	100,000	$ 0.03	5/7/2015	2,900
Services	1,000,000	$ 0.018	5/21/ 2015	23,000

Schedule of Fair Value of Warrants Granted

The fair value of the warrants granted is based on the Black Scholes Model using the following assumptions:

	September 30, 2012	September 30, 2011
Exercise price:	$0.018 - $0.03	$.09-.20
Market price at date of grant:	$0.035 - $0.048	$0.08-.15
Expected volatility:	76.21%	69-78%
Term:	3 years	3 – 5 years
Risk-free interest rate:	0.72%	0.75% - 2.72%

Schedule Of Fair Value of Stock Options Granted

The Company used the following assumptions for determining the fair value of options granted under the Black-Scholes option pricing model:

	September 30, 2012	September 30, 2011
Exercise Price	$ 0.02 - $ 0.05	$ 0.03-0.08
Market price at date of grant	$ 0.021 - $ 0.07	$ 0.08
Expected volatility	76.15% - 76.21%	50-69%
Risk-free interest rate	0.51% - 0.72%	0.63-1.76%

Schedule Of Stock Options Activity

The following activity occurred under our plan:

	Nine-month period ended September 30, 2012	Nine-month period ended September 30, 2011

Weighted-average grant-date fair value of options granted	$	0.04	$	0.04
Fair value of options recognized as expense:	$	299,984	$	468,346
Options granted		5,640,000		4,500,000

STOCKHOLDERS DEFICIT (FAIR VALUE OF WARRANT GRANTED) (Details) (USD $)	9 Months Ended	
	Sep. 30, 2012	Sep. 30, 2011
Minimum		
Exercise Price	$ 0.018	$ 0.09
Market Price at date of Grant	$ 0.035	$ 0.08
Expected Volatality		69.00%
Term		3 years
Risk-free Interest Rate	0.72%	0.75%
Maximum		
Exercise Price	$ 0.03	$ 0.20
Market Price at date of Grant	$ 0.048	$ 0.15
Expected Volatality	76.21%	78.00%
Term	3 years	5 years
Risk-free Interest Rate	0.72%	2.72%

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (SCHEDULE OF BASIC AND DILUTED EARNINGS PER SHARE) (Details) (USD $)	3 Months Ended		9 Months Ended	
	Sep. 30, 2012	Sep. 30, 2011	Sep. 30, 2012	Sep. 30, 2011
Earnings Per Share Reconciliation [Abstract]				
Net Income (Loss)	$ (1,020,591)	$ (3,247,158)	$ (2,890,734)	$ (5,329,539)
(Increase) Decrease In Fair Value Of Derivative Liabilities	168,806	1,552,858	155,936	(577,076)
Numerator for Basic Earnings Per Share - Loss attributable to common stockholders - as adjusted	(851,785)	(1,694,300)	(2,734,798)	(5,906,615)
Numerator for diluted earnings per share-net income (loss) attributable to common stockholders - as adjusted	$ (851,785)	$ (1,694,300)	$ (2,734,798)	$ (5,906,615)
Denominator for basic earnings per share--weighted average shares	364,835,548	273,233,495	337,350,489	243,774,932
Effect of dilutive Securities				
Assumed conversion of Series A and B preferred stock				
Assumed conversion of notes payable				
Stock Options and Warrants				
Dilutive potential common shares				
Denominator for diluted earnings per share--adjusted weighted-average shares and assumed conversions	364,835,548	273,233,495	337,350,489	243,774,932
Net loss available to common stockholders basic and diluted	$ 0.00	$ (0.01)	$ (0.01)	$ (0.02)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	9 Months Ended Sep. 30, 2012

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates

The preparation of the consolidated unaudited financial statements in accordance with accounting principles generally accepted in the United States 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. Significant estimates made by management include, but are not limited to share-based payments, derivative liabilities, and useful life of property and equipment. Actual results will differ from these estimates.

Cash and Cash Equivalents

The Company considers all highly liquid temporary cash investments with an original maturity of three months or less when purchased, to be cash equivalents.

Reclassification

Certain items in the September 30, 2011 financial statements have been reclassified to conform to the presentation in the September 30, 2012 financial statements. Such reclassifications did not have a material impact on the presentation of the overall financial statements.

Concentration of Credit Risks

The Company is subject to concentrations of credit risk primarily from cash and cash equivalents.

The Company’s cash and cash equivalents accounts are held at financial institutions and are insured by the Federal Deposit Insurance Corporation, or the FDIC, up to $250,000. During the nine-month period ended September 30, 2012, the Company did not exceed the FDIC insurance limit.

The Company's accounts receivable are due from a few customers, which are located in the Unites States and United Kingdom. At September30, 2012,two of the Company’s customers accounted for 43% and 17% of its accounts receivable. Two of the Company’s customers accounted for 16% and 96%of its accounts receivable at December 31, 2011.

Accounts Receivable

The Company has a policy of reserving for uncollectible accounts based on its best estimate of the amount of probable credit losses in its existing accounts receivable. The Company periodically reviews its accounts receivable to determine whether an allowance is necessary based on an analysis of past due accounts and other factors that may indicate that the realization of an account may be in doubt. Account balances deemed to be uncollectible are charged to the bad debt expense after all means of collection have been exhausted and the potential for recovery is considered remote. Management determined that an allowance of $98,623 and $100,000 was necessary at September 30, 2012 and December 31, 2011.

Property and Equipment

Property and equipment, which primarily consists of office equipment and computer software, are recorded at cost and are depreciated on a straight-line basis over their estimated useful lives of three to five years. Maintenance and repairs are charged to expense as incurred. Significant renewals and betterments are capitalized. At the retirement or other disposition of property and equipment, the cost and accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in other income (expense) in the accompanying statements of operations.

Revenue Recognition

The Company follows the guidance of the FASB ASC 605-10-S99 "Revenue Recognition Overall - SEC Materials." The Company records revenue when persuasive evidence of an arrangement exists, on-line back-up services have been rendered, the sales price to the customer is fixed or determinable, and collectability is reasonably assured.

The Company has collected annual fees related to online back-up services. Online back-up service fees received in advance or collected up front are reflected as deferred revenue on the accompanying balance sheet. Deferred revenue as of September 30, 2012 and December 31, 2011 amounted to $102,500, and will be recognized as revenue over the respective subscription period.

Revenue consists of the gross value of billings to clients. The Company reports this revenue gross in accordance with Generally Accepted Accounting Pronouncements (“GAAP”) because it is responsible for fulfillment of the service, has substantial latitude in setting price and assumes the credit risk for the entire amount of the sale, and it is responsible for the payment of all obligations incurred for sales marketing and commissions.

Customer Concentration

Two of the Company’s customers accounted for 43% and 17% of the Company’s revenue during the nine-month period ending September 30, 2012. One of the Company’s customers accounted for 50% of the Company’s revenue during the nine-month period ending September 30, 2011.

Product Concentration

The Company offers subscriptions to online and software backup products to assist individuals, small businesses and home business users.

Fair Value of Financial Instruments

FASB ASC 820 “Fair Value Measurements and Disclosures” establishes a common definition for fair value to be applied to existing generally accepted accounting principles that require the use of fair value measurements, establishes a framework for measuring fair value and expands disclosure about such fair value measurements. The adoption of ASC 820 did not have an impact on the Company’s financial position or operating results, but did expand certain disclosures.

ASC 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Additionally, ASC 820 requires the use of valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. These inputs are prioritized below:

Level 1:	Observable inputs such as quoted market prices in active markets for identical assets or liabilities
Level 2:	Observable market-based inputs or unobservable inputs that are corroborated by market data
Level 3:	Unobservable inputs for which there is little or no market data, which require the use of the reporting entity’ s own assumptions.

The Company did not have any Level 2 or Level 3 assets or liabilities as of September 30, 2012 and December 31, 2011, with the exception of its convertible promissory notes and derivative liabilities. The carrying amount of the convertible promissory notes at September 30, 2012 and

December 31, 2011, approximate their respective fair value based on the Company's incremental borrowing rate. The derivative liabilities are computed using either the Black Scholes Model or the binomial method and are classified as Level 3 liabilities.

Software Development Costs

Costs incurred in the research and development of software products are expensed as incurred until technological feasibility has been established. After technological feasibility is established, any additional costs are capitalized in accordance with FASB ASC 985-20, "Costs of Software to be Sold, Leased, or Marketed." The Company believes that the current process for developing software is essentially completed concurrently with the establishment of technological feasibility. Accordingly, no software development costs have been capitalized as of September 30, 2012. Instead, such amounts are included in the statement of operations under the caption "Research and development."

Foreign Currency Transactions

The Company periodically engages in transactions in countries outside the United States which may result in foreign currency transaction gains or losses. Gains and losses resulting from foreign currency transactions are recognized as foreign currency gain (loss) in the statement of operations of the period incurred.

Income Taxes

Income taxes are accounted for in accordance with the provisions of FASB ASC-740 - Income Taxes. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. 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. Valuation allowances are established, when necessary, to reduce deferred tax assets to the amounts expected to be realized, but no less than quarterly.

Share-based Payments

The Company accounts for stock-based compensation in accordance with ASC Topic 718, Compensation-Stock Compensation("ASC 718"). Under the fair value recognition provisions of this topic, stock-based compensation cost is measured at the grant date based on the fair value of the award and is recognized as expense on a straight-line basis over the requisite service period, which is the vesting period.

The Company has elected to use the Black-Scholes-Merton ("BSM") option-pricing model to estimate the fair value of its options, which incorporates various subjective assumptions including volatility, risk-free interest rate, expected life, and dividend yield to calculate the fair value of stock option awards. Compensation expense recognized in the consolidated statements of operations is based on awards ultimately expected to vest and reflects estimated forfeitures. ASC 718 requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates.

Convertible Instruments

The Company evaluates and accounts for conversion options embedded in its convertible instruments and warrants in accordance with professional standards for "Accounting for Derivative Instruments and Hedging Activities."

Professional standards generally provides three criteria that, if met, require companies to bifurcate conversion options from their host instruments and account for them as free standing derivative financial instruments. These three criteria include circumstances in which (a) the economic characteristics and risks of the embedded derivative instrument are not clearly and closely related to the economic characteristics and risks of the host contract, (b) the hybrid instrument that embodies both the embedded derivative instrument and the host contract is not re-measured at fair value under otherwise applicable generally accepted accounting principles with changes in fair value reported in earnings as they occur and (c) a separate instrument with the same terms as the embedded derivative instrument would be considered a derivative instrument. Professional standards also provide an exception to this rule when the host instrument is deemed to be conventional as defined under professional standards as "The Meaning of "Conventional Convertible Debt Instrument."

The Company accounts for convertible instruments (when it has determined that the embedded conversion options should not be bifurcated from their host instruments) in accordance with professional standards when "Accounting for Convertible Securities with Beneficial Conversion Features," as those professional standards pertain to "Certain Convertible Instruments." Accordingly, the Company records, when necessary, discounts to convertible notes for the intrinsic value of conversion options embedded in debt instruments based upon the differences between the fair value of the underlying common stock at the commitment date of the note transaction and the effective conversion price embedded in the note. Debt discounts under these arrangements are amortized over the term of the related debt to their earliest date of redemption. The Company also records when necessary deemed dividends for the intrinsic value of conversion options embedded in preferred shares based upon the differences between the fair value of the underlying common stock at the commitment date of the note transaction and the effective conversion price embedded in the note.

ASC 815-40 provides that, among other things, generally, if an event is not within the entity's control could require net cash settlement, then the contract shall be classified as an asset or a liability.

Pursuant to 815-40-25-22, if the number of currently authorized but unissued shares, less the maximum number of shares that could be required to be delivered during the contract period under existing commitments, including outstanding convertible debt or instruments, outstanding stock options and warrants, exceeds the maximum number of shares that could be required to be delivered under share settlement of the contract, then the excess is to be accounted for as a liability.

Additionally, the Company determines whether the instruments issued in the transactions are considered indexed to the Company's own stock.

Recent Accounting Pronouncements

Management does not believe that any recently issued, but not yet effective, accounting standards could have a material effect on the accompanying consolidated financial statements. As new accounting pronouncements are issued, the Company will adopt those that are applicable under the circumstances.

Basic and Diluted Earnings per Share

Basic earnings per share is calculated by dividing income available to stockholders by the weighted-average number of common shares outstanding for each period. Diluted earnings per share is computed using the weighted-average number of common and dilutive common share equivalents outstanding during the period. Dilutive common share equivalents consist of shares issuable upon the exercise of stock options and warrants (calculated using the reverse treasury stock method). The outstanding options, warrants and shares equivalent issuable pursuant to convertible promissory notes amounted to 183,022,916 and 113,959,750 at September 30, 2012and 2011, respectively. Accordingly, these common share equivalents at September 30, 2012 and 2011 are excluded from the loss per share computation for that period due to their anti-dilutive effect.

The following sets forth the computation of basic and diluted earnings per share for the nine-month periods ended September 30, 2012 and 2011:

	Three months ended		Nine months ended	
	September 30, 2012	September 30, 2011	September 30, 2012	September 30, 2011
Numerator:				
Net loss	$ (1,020,591)	$ (3,247,158)	$ (2,890,734)	$ (5,329,539)
Increase (decrease) in fair value of derivative liabilities	168,806	1,552,858	155,936	(577,076)
Numerator for basic earnings per share- loss attributable to common stockholders - as adjusted	(851,785)	(1,694,300)	(2,734,798)	(5,906,615)
Numerator for diluted earnings per share-net income (loss) attributable to common stockholders - as adjusted	$ (851,785)	$ (1,694,300)	$ (2,734,798)	$ (5,906,615)
Denominator:				
Denominator for basic earnings per share–weighted average shares	364,835,548	273,233,495	337,350,489	243,774,932
Effect of dilutive securities:				
Assumed conversion of Series A preferred stock	–	–	–	–
Assumed conversion of notes payable	–	–	–	–
Stock options	–	–	–	–
Warrants	–	–	–	–
Dilutive potential common shares	–	–	–	–
Denominator for diluted earnings per share–adjusted weighted-average shares and assumed conversions	364,835,548	273,233,495	337,350,489	243,774,932
Loss per share:				
Net loss available to common stockholders				
Basic and diluted	$ (0.00)	$ (0.01)	$ (0.01)	$ (0.02)

CONSOLIDATED BALANCE SHEETS (Parenthetical) (USD $)	Sep. 30, 2012	Dec. 31, 2011
Current Assets:		
Accounts receivable, net allowance for bad debt	$ 98,623	$ 100,000
Property and equipment, net of accumulated depreciation	331,026	279,345
Current Liabilities:		
Unamortized Net Discount	$ 447,061	
Stockholders' Deficit:		
Preferred stock par value	$ 0.001	$ 0.001
Preferred stock authorized shares	5,000,000	5,000,000
Preferred stock shares issued	150,000	150,000
Preferred stock shares outstanding	150,000	150,000
Common stock, par value	$ 0.001	$ 0.001
Common stock authorized shares	450,000,000	450,000,000
Common stock shares issued	370,093,881	303,943,573
Common stock shares outstanding	366,793,881	303,943,573

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Policies)	9 Months Ended Sep. 30, 2012
Summary Of Significant Accounting Policies Policies	
Use Of Estimates	Use of Estimates The preparation of the consolidated unaudited financial statements in accordance with accounting principles generally accepted in the United States 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. Significant estimates made by management include, but are not limited to share-based payments, derivative liabilities, and useful life of property and equipment. Actual results will differ from these estimates.
Cash And Cash Equivalents	Cash and Cash Equivalents The Company considers all highly liquid temporary cash investments with an original maturity of three months or less when purchased, to be cash equivalents.
Reclassification	Reclassification Certain items in the September 30, 2011 financial statements have been reclassified to conform to the presentation in the September 30, 2012 financial statements. Such reclassifications did not have a material impact on the presentation of the overall financial statements.
Concentration Of Credit Risks	Concentration of Credit Risks The Company is subject to concentrations of credit risk primarily from cash and cash equivalents. The Company's cash and cash equivalents accounts are held at financial institutions and are insured by the Federal Deposit Insurance Corporation, or the FDIC, up to $250,000. During the nine-month period ended September 30, 2012, the Company did not exceed the FDIC insurance limit. The Company's accounts receivable are due from a few customers, which are located in the Unites States and United Kingdom. At September30, 2012,two of the Company's customers accounted for 43% and 17% of its accounts receivable. Two of the Company's customers accounted for 16% and 96%of its accounts receivable at December 31, 2011.
Accounts Receivable	Accounts Receivable The Company has a policy of reserving for uncollectible accounts based on its best estimate of the amount of probable credit losses in its existing accounts receivable. The Company periodically reviews its accounts receivable to determine whether an allowance is necessary based on an analysis of past due accounts and other factors that may indicate that the realization of an account may be in doubt. Account balances deemed to be uncollectible are charged to the bad debt expense after all means of collection have been exhausted and the potential for recovery is considered remote. Management determined that an allowance of $98,623 and $100,000 was necessary at September 30, 2012 and December 31, 2011.
Property And Equipment	Property and Equipment Property and equipment, which primarily consists of office equipment and computer software, are recorded at cost and are depreciated on a straight-line basis over their estimated useful lives

of three to five years. Maintenance and repairs are charged to expense as incurred. Significant renewals and betterments are capitalized. At the retirement or other disposition of property and equipment, the cost and accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in other income (expense) in the accompanying statements of operations.

Revenue Recognition

Revenue Recognition

The Company follows the guidance of the FASB ASC 605-10-S99 "Revenue Recognition Overall - SEC Materials." The Company records revenue when persuasive evidence of an arrangement exists, on-line back-up services have been rendered, the sales price to the customer is fixed or determinable, and collectability is reasonably assured.

The Company has collected annual fees related to online back-up services. Online back-up service fees received in advance or collected up front are reflected as deferred revenue on the accompanying balance sheet. Deferred revenue as of September 30, 2012 and December 31, 2011 amounted to $102,500, and will be recognized as revenue over the respective subscription period.

Revenue consists of the gross value of billings to clients. The Company reports this revenue gross in accordance with Generally Accepted Accounting Pronouncements ("GAAP") because it is responsible for fulfillment of the service, has substantial latitude in setting price and assumes the credit risk for the entire amount of the sale, and it is responsible for the payment of all obligations incurred for sales marketing and commissions.

Customer Concentration

Customer Concentration

Two of the Company's customers accounted for 43% and 17% of the Company's revenue during the nine-month period ending September 30, 2012. One of the Company's customers accounted for 50% of the Company's revenue during the nine-month period ending September 30, 2011.

Product Concentration

Product Concentration

The Company offers subscriptions to online and software backup products to assist individuals, small businesses and home business users.

Fair Value Of Financial Instruments

Fair Value of Financial Instruments

FASB ASC 820 "Fair Value Measurements and Disclosures" establishes a common definition for fair value to be applied to existing generally accepted accounting principles that require the use of fair value measurements, establishes a framework for measuring fair value and expands disclosure about such fair value measurements. The adoption of ASC 820 did not have an impact on the Company's financial position or operating results, but did expand certain disclosures.

ASC 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Additionally, ASC 820 requires the use of valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. These inputs are prioritized below:

Level 1:	Observable inputs such as quoted market prices in active markets for identical assets or liabilities
Level 2:	Observable market-based inputs or unobservable inputs that are corroborated by market data
Level 3:	Unobservable inputs for which there is little or no market data, which require the use of the reporting entity' s own assumptions.

The Company did not have any Level 2 or Level 3 assets or liabilities as of September 30, 2012 and December 31, 2011, with the exception of its convertible promissory notes and derivative liabilities. The carrying amount of the convertible promissory notes at September 30, 2012 and December 31, 2011, approximate their respective fair value based on the Company's incremental borrowing rate. The derivative liabilities are computed using either the Black Scholes Model or the binomial method and are classified as Level 3 liabilities.

Software Development Cost

Software Development Costs

Costs incurred in the research and development of software products are expensed as incurred until technological feasibility has been established. After technological feasibility is established, any additional costs are capitalized in accordance with FASB ASC 985-20, "Costs of Software to be Sold, Leased, or Marketed." The Company believes that the current process for developing software is essentially completed concurrently with the establishment of technological feasibility. Accordingly, no software development costs have been capitalized as of September 30, 2012. Instead, such amounts are included in the statement of operations under the caption "Research and development."

Foreign Currency Transactions

Foreign Currency Transactions

The Company periodically engages in transactions in countries outside the United States which may result in foreign currency transaction gains or losses. Gains and losses resulting from foreign currency transactions are recognized as foreign currency gain (loss) in the statement of operations of the period incurred.

Income Taxes

Income Taxes

Income taxes are accounted for in accordance with the provisions of FASB ASC-740 - Income Taxes. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. 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. Valuation allowances are established, when necessary, to reduce deferred tax assets to the amounts expected to be realized, but no less than quarterly.

Share Based Payments

Share-based Payments

The Company accounts for stock-based compensation in accordance with ASC Topic 718, Compensation-Stock Compensation("ASC 718"). Under the fair value recognition provisions of this topic, stock-based compensation cost is measured at the grant date based on the fair value of the award and is recognized as expense on a straight-line basis over the requisite service period, which is the vesting period.

The Company has elected to use the Black-Scholes-Merton ("BSM") option-pricing model to estimate the fair value of its options, which incorporates various subjective assumptions including volatility, risk-free interest rate, expected life, and dividend yield to calculate the fair value of stock option awards. Compensation expense recognized in the consolidated statements of operations is based on awards ultimately expected to vest and reflects estimated forfeitures. ASC 718 requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates.

Convertible Instruments

Convertible Instruments

The Company evaluates and accounts for conversion options embedded in its convertible instruments and warrants in accordance with professional standards for "Accounting for Derivative Instruments and Hedging Activities."

Professional standards generally provides three criteria that, if met, require companies to bifurcate conversion options from their host instruments and account for them as free standing derivative financial instruments. These three criteria include circumstances in which (a) the economic characteristics and risks of the embedded derivative instrument are not clearly and closely related to the economic characteristics and risks of the host contract, (b) the hybrid instrument that embodies both the embedded derivative instrument and the host contract is not re-measured at fair value under otherwise applicable generally accepted accounting principles with changes in fair value reported in earnings as they occur and (c) a separate instrument with the same terms as the embedded derivative instrument would be considered a derivative instrument. Professional standards also provide an exception to this rule when the host instrument is deemed to be conventional as defined under professional standards as "The Meaning of "Conventional Convertible Debt Instrument."

The Company accounts for convertible instruments (when it has determined that the embedded conversion options should not be bifurcated from their host instruments) in accordance with professional standards when "Accounting for Convertible Securities with Beneficial Conversion Features," as those professional standards pertain to "Certain Convertible Instruments." Accordingly, the Company records, when necessary, discounts to convertible notes for the intrinsic value of conversion options embedded in debt instruments based upon the differences between the fair value of the underlying common stock at the commitment date of the note transaction and the effective conversion price embedded in the note. Debt discounts under these arrangements are amortized over the term of the related debt to their earliest date of redemption. The Company also records when necessary deemed dividends for the intrinsic value of conversion options embedded in preferred shares based upon the differences between the fair value of the underlying common stock at the commitment date of the note transaction and the effective conversion price embedded in the note.

ASC 815-40 provides that, among other things, generally, if an event is not within the entity's control could require net cash settlement, then the contract shall be classified as an asset or a liability.

Pursuant to 815-40-25-22, if the number of currently authorized but unissued shares, less the maximum number of shares that could be required to be delivered during the contract period under existing commitments, including outstanding convertible debt or instruments, outstanding stock options and warrants, exceeds the maximum number of shares that could be required to be delivered under share settlement of the contract, then the excess is to be accounted for as a liability.

Additionally, the Company determines whether the instruments issued in the transactions are considered indexed to the Company's own stock.

Recent Accounting Pronouncements

Recent Accounting Pronouncements

Management does not believe that any recently issued, but not yet effective, accounting standards could have a material effect on the accompanying consolidated financial statements. As new accounting pronouncements are issued, the Company will adopt those that are applicable under the circumstances.

Basic And Diluted Earnings Per Share

Basic and Diluted Earnings per Share

Basic earnings per share is calculated by dividing income available to stockholders by the weighted-average number of common shares outstanding for each period. Diluted earnings per share is computed using the weighted-average number of common and dilutive common share equivalents outstanding during the period. Dilutive common share equivalents consist of shares issuable upon the exercise of stock options and warrants (calculated using the reverse treasury stock method). The outstanding options, warrants and shares equivalent issuable pursuant to convertible promissory notes amounted to 183,022,916 and 113,959,750 at September 30, 2012and 2011, respectively. Accordingly, these common share equivalents at September 30, 2012 and 2011 are excluded from the loss per share computation for that period due to their anti-dilutive effect.

The following sets forth the computation of basic and diluted earnings per share for the nine-month periods ended September 30, 2012 and 2011:

	Three months ended		Nine months ended	
	September 30, 2012	September 30, 2011	September 30, 2012	September 30, 2011
Numerator:				
Net loss	$ (1,020,591)	$ (3,247,158)	$ (2,890,734)	$ (5,329,539)
Increase (decrease) in fair value of derivative liabilities	168,806	1,552,858	155,936	(577,076)
Numerator for basic earnings per share- loss attributable to common stockholders - as adjusted	(851,785)	(1,694,300)	(2,734,798)	(5,906,615)
Numerator for diluted earnings per share-net income (loss) attributable to common stockholders - as adjusted	$ (851,785)	$ (1,694,300)	$ (2,734,798)	$ (5,906,615)
Denominator:				
Denominator for basic earnings per share−weighted average shares	364,835,548	273,233,495	337,350,489	243,774,932
Effect of dilutive securities:				
Assumed conversion of Series A preferred stock	–	–	–	–
Assumed conversion of notes payable	–	–	–	–
Stock options	–	–	–	–
Warrants	–	–	–	–
Dilutive potential common shares	–	–	–	–
Denominator for diluted earnings per share−adjusted weighted-average shares and assumed conversions	364,835,548	273,233,495	337,350,489	243,774,932
Loss per share:				
Net loss available to common stockholders				
Basic and diluted	$ (0.00)	$ (0.01)	$ (0.01)	$ (0.02)

Document and Entity Information	9 Months Ended Sep. 30, 2012	Nov. 26, 2012
Document And Entity Information		
Entity Registrant Name	SPARE BACKUP, INC.	
Entity Central Index Key	0001103577	
Document Type	10-Q	
Document Period End Date	Sep. 30, 2012	
Amendment Flag	false	
Current Fiscal Year End Date	--12-31	
Is Entity a Well-known Seasoned Issuer?	No	
Is Entity a Voluntary Filer?	No	
Is Entity's Reporting Status Current?	No	
Entity Filer Category	Smaller Reporting Company	
Entity Common Stock, Shares Outstanding		368,599,362
Document Fiscal Period Focus	Q3	
Document Fiscal Year Focus	2012	

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Tables)	9 Months Ended
	Sep. 30, 2012
Summary Of Significant Accounting Policies Tables	
Schedule Of Basic And Diluted Earnings Per Share	The following sets forth the computation of basic and diluted earnings per share for the nine-month periods ended September 30, 2012 and 2011:

	Three months ended		Nine months ended	
	September 30, 2012	September 30, 2011	September 30, 2012	September 30, 2011
Numerator:				
Net loss	$ (1,020,591)	$ (3,247,158)	$ (2,890,734)	$ (5,329,539)
Increase (decrease) in fair value of derivative liabilities	168,806	1,552,858	155,936	(577,076)
Numerator for basic earnings per share- loss attributable to common stockholders - as adjusted	(851,785)	(1,694,300)	(2,734,798)	(5,906,615)
Numerator for diluted earnings per share-net income (loss) attributable to common stockholders - as adjusted	$ (851,785)	$ (1,694,300)	$ (2,734,798)	$ (5,906,615)
Denominator:				
Denominator for basic earnings per share−weighted average shares	364,835,548	273,233,495	337,350,489	243,774,932
Effect of dilutive securities:				
Assumed conversion of Series A preferred stock	–	–	–	–
Assumed conversion of notes payable	–	–	–	–
Stock options	–	–	–	–
Warrants	–	–	–	–
Dilutive potential common shares	–	–	–	–
Denominator for diluted earnings per share−adjusted weighted-average shares and assumed conversions	364,835,548	273,233,495	337,350,489	243,774,932
Loss per share:				
Net loss available to common stockholders				
Basic and diluted	$ (0.00)	$ (0.01)	$ (0.01)	$ (0.02)

CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited) (USD $)	3 Months Ended		9 Months Ended	
	Sep. 30, 2012	Sep. 30, 2011	Sep. 30, 2012	Sep. 30, 2011
Income Statement [Abstract]				
Net Revenues	$ 66,099	$ 153,568	$ 434,765	$ 347,071
Operating expenses:				
Research and development	216,135	501,380	596,027	1,159,935
Selling, general and administrative	755,253	1,093,789	2,927,733	4,450,281
Total operating expenses	971,388	1,595,169	3,523,760	5,610,216
Operating loss	(905,289)	(1,441,601)	(3,088,995)	(5,263,145)
Other income (expense):				
Change in fair value of derivative liabilities	168,806	(1,552,858)	155,936	577,076
Gain From Debt Settlements			446,387	
Interest expense	(283,393)	(252,699)	(402,235)	(643,470)
Other Loss	(715)		(1,827)	
Total other income (expense)	(115,302)	(1,805,557)	198,261	(66,394)
Net (loss)	$ (1,020,591)	$ (3,247,158)	$ (2,890,734)	$ (5,329,539)
Basic and diluted loss per common share	$ 0.00	$ (0.01)	$ (0.01)	$ (0.02)
Basic and diluted weighted average shares outstanding	364,835,548	273,233,495	337,350,489	243,774,932

STOCKHOLDERS DEFICIT	9 Months Ended Sep. 30, 2012
STOCKHOLDERS' DEFICIT	NOTE 7 - STOCKHOLDERS' DEFICIT

NOTE 7 - STOCKHOLDERS' DEFICIT

Preferred Stock

During the year ended December 31, 2011, the Company issued 100,000 shares of its Series B Preferred Stock. The Series B Preferred Stock's designation provides voting rights amounting to 400-to-1 shares. The Company issued 50,000 of such shares to one of its directors, who also manages and controls a company which is one of the Company's customers. Additionally, the Company issued 50,000 of such shares to one of its lenders and shareholders, who has granted a $1.5 million convertible note payable and was the owner of 7,416,666 shares of the Company's common stock at the date of issuance of the $1.5 million convertible note payable.

The issuance of the shares of Series B Preferred Stock was recognized at their par value.

Common Stock

During December 2011, the Company increased its authorized shares of common stock to 450,000,000.

The issuance of common stock during the nine-month period ended September 30, 2011 is summarized in the table below:

	Number of Shares of Common Stock	Fair Value at Issuance	Fair Value at Issuance (per share)
Accrued Interest Payment for 8% and 10% convertible promissory notes	517,623	$ 38,495	$ 0.07
Services performed- Investor relations	5,395,000	701,325	0.04-0.10
Exercised stock options	4,000,000	100,000	0.01-0.03
Exercised warrants	5,109,403	285,442	0.05-.06
Conversion of convertible promissory notes and notes payable	29,033,591	1,711,508	0.05-0.10
Private placement, net of finder' s fee of $57,330	41,258,336	1,852,727	.03-.06
Interest associated with issuance of notes payable	500,000	44,000	.088

The issuance of common stock during the nine-month period ended September 30, 2012 is summarized in the table below:

	Number of Shares of Common Stock	Fair Value at Issuance	Fair Value at Issuance (per share)
Services performed- Investor relations	5,850,000	$ 196,050	$ 0.03-0.072
Services performed-Consulting	13,725,000	585,340	0.03-0.07
Accrued interest payment for 8% and 10% convertible promissory notes	2,116,737	137,510	0.05-0.12
Exercise of stock options	3,640,000	78,400	0.025
Private placement	33,251,904	612,250	0.01-0.05
Exercised warrants	4,000,000	47,500	0.01-0.03

Additionally, the Company issued 3,300,000 shares of its common stock as collateral in connection with the issuance of a note payable of $60,000 during the nine-month period ended September 30, 2012.

Warrants

The issuance of warrants during the nine-month period ended September 30, 2011 is summarized in the table below:

Association	Number of Warrants	Exercise Price	Expiration Date	Value at Issuance
Private Placement	1,090,000	$ 0.09	1/5/2014	$ –
Finder's Fees	4,575,000	$ 0.05 - 0.012	2/14/14 - 1/5/14	–
Conversion of 8% Note payable	166,667	$ 0.16	1/14/2013	–
Accrued interest on Conversion of 8% Note payable	19,981	$ 0.16	1/14/2013	198
Issuance of convertible Promissory note	5,000,000	$ 0.09	6/17/2016	–

The issuance of warrants during the nine-month period ended September 30, 2012 is summarized in the table below:

Association	Number of Warrants	Exercise Price	Expiration Date	Value at Issuance
Private Placement	7,350,000	$0.01-0.07	4/1/15 - 6/29/15	$ –
Issuance of Note payable	100,000	$ 0.03	5/7/2015	2,900
Services	1,000,000	$ 0.018	5/21/2015	23,000

The fair value of the warrants granted is based on the Black Scholes Model using the following assumptions:

	September 30, 2012	September 30, 2011
Exercise price:	$0.018 - $0.03	$.09-.20
Market price at date of grant:	$0.035 - $0.048	$0.08-.15
Expected volatility:	76.21%	69-78%

Term:	3 years	3 – 5 years
Risk-free interest rate:	0.72%	0.75% - 2.72%

Stock Options

In 2002, the Company adopted the 2002 Stock Plan under which stock awards or options to acquire shares of the Company's common stock may be granted to employees and non-employees of the Company. The Company has authorized 12,000,000 shares of the Company's common stock for grant under the 2002 Plan.

In May 2006, the Board increased the authorized amount to 27,000,000. The 2002 Plan is administered by the Board of Directors and permits the issuance of options for the purchase of up to the number of available shares outstanding. Options granted under the 2002 Plan vest in accordance with the terms established by the Company's stock option committee and generally terminates ten years after the date of issuance.

The fair value of stock options granted was estimated at the date of grant using the Black-Scholes options pricing model. The Company used the following assumptions for determining the fair value of options granted under the Black-Scholes option pricing model:

	September 30, 2012	September 30, 2011
Exercise Price	$ 0.02 - $ 0.05	$ 0.03-0.08
Market price at date of grant	$ 0.021 - $ 0.07	$ 0.08
Expected volatility	76.15% - 76.21%	50-69%
Risk-free interest rate	0.51% - 0.72%	0.63-1.76%

The following activity occurred under our plan:

	Nine-month period ended September 30, 2012	Nine-month period ended September 30, 2011
Weighted-average grant-date fair value of options granted	$ 0.04	$ 0.04
Fair value of options recognized as expense:	$ 299,984	$ 468,346
Options granted	5,640,000	4,500,000

The total compensation cost related to non-vested options not yet recognized amounted to approximately $7,089 at September 30, 2012 and the Company expects that it will be recognized over the following weighted-average period of 3 months.

DERIVATIVE LIABILITIES	9 Months Ended Sep. 30, 2012
DERIVATIVE LIABILITIES	**NOTE 6 - DERIVATIVE LIABILITIES**

A summary of the transactions related to the derivative liability for the nine-month period ended September 30, 2011:

Derivative liability at January 1, 2011	$	470,871
Reclassification of equity contracts to liability contracts		2,407,261
Reclassification of liability contracts to equity contracts		(656)
Issuance of warrants		200,000
Decrease in fair value of derivative liability, recognized as other income		(838,844)
Derivative liability at September 30, 2011	$	2,238,832

A summary of the transactions related to the derivative liability for the nine-month period ended September 30, 2012:

Derivative liability at January 1, 2012	$	–
Issuance of embedded conversion features, recognized as interest expense		672,217
Decrease in fair value of derivative liability, recognized as other expense		(155,936)
Derivative liability at September 30, 2012	$	516,281

The maximum number of shares required to be delivered during the period under which substantially all of the Company's outstanding warrants, options, and convertible notes exceeded the amount of authorized shares through September 30, 2012.

The Company accounts for the embedded conversion features included in its convertible promissory notes and outstanding warrants.

Derivative liabilities amounted to $516,281 and $0 at September 30, 2012 and December 31, 2011, respectively.

During the first three quarters of 2011, the warrants and convertible promissory notes issued by the Company were recognized as liability contracts because, at issuance, the Company did not have sufficient amount of authorized of shares of common stock to satisfy its obligations under such contracts.

During December 2011, the Company's shareholders approved an increase in the Company's authorized number of its shares of common stock to 450,000,000. Accordingly, the Company reclassified its previously-recorded liability contracts to equity contracts in December 2011.

At each measurement date, the fair value of the embedded conversion features and warrants were based on the binomial and the Black Scholes method, respectively.

During the nine-month period ended September 30, 2011, the Company issued warrants in connection with the sale of the Company's common stock, conversion of convertible promissory notes, and short-term note payable, as well convertible promissory notes. The maximum number of shares required to be delivered during the period under which the warrants issued pursuant to common stock, conversion of promissory notes and short-term note payables, as well as the issuance of convertible promissory note, together with all the outstanding convertible debt, stock options, warrants and common stock, exceeded the amount of authorized common stock shares at September 30, 2011. As a result, the Company recorded a derivative liability aggregating $2,238,832 and was offset against additional-paid in capital.

The fair value of the derivative instruments were based on the following assumptions:

Exercise price:	$0.05 - $0.13
Market price at date of grant:	$0.09 - $0.13
Expected volatility:	78%
Term:	>1 year
Risk-free interest rate:	0.28% - 1.93%

During the nine-month period ended September 30, 2012, the Company issued warrants in connection with the sale of the Company's common stock, conversion of convertible promissory notes, and short-term note payable, as well convertible promissory notes. The maximum number of shares required to be delivered during the period under which the warrants issued pursuant to common stock, conversion of promissory notes and short-term note payables, as well as the issuance of convertible promissory note, together with all the outstanding convertible debt, stock options, warrants and common stock, exceeded the amount of authorized common stock shares at September 30, 2012. As a result, the Company recorded a derivative liability aggregating $516,282 and was offset against debt discount.

The fair value of the derivative instruments were based on the following assumptions:

Exercise price:	$0.013 - $0.029
Market price at date of grant:	$0.032 - $0.043
Expected volatility:	76%
Term:	>1 year - 3 years
Risk-free interest rate:	0.06% -0.31%

SEGMENTS (Tables)

	9 Months Ended
	Sep. 30, 2012

Segments Tables

Schedule Of Percentage Of Sales By Geographic Region

The percentages of sales by geographic region for the nine-month periods ended September 30, 2012 and 2011 were approximately:

	2012	2011
United States	39%	11%
Europe	61%	89%

PROPERTY AND EQUIPMENT (Tables)	9 Months Ended Sep. 30, 2012
Property And Equipment Tables	
Schedule Of Property And Equipment	Property and equipment consisted of the following:

	Estimate Life	September 30, 2012	December 31, 2011
Computer and office equipment	3 to 5 years	$ 378,470	$ 377,415
		378,470	377,415
Less: Accumulated depreciation		(331,026)	(279,345)
		$ 47,444	$ 98,070

RELATED PARTY TRANSACTIONS	9 Months Ended Sep. 30, 2012
RELATED PARTY TRANSACTIONS	**NOTE 10 - RELATED PARTY TRANSACTIONS** The Company made rental payments for property owned by the Chief Executive Officer of the Company during the nine-month periods ended September 30, 2012 and 2011 amounting $0 and $2,500, respectively. The rental property was used for temporary employee housing during such periods.

COMMITMENTS AND CONTINGENCIES	9 Months Ended Sep. 30, 2012
COMMITMENTS AND CONTINGENCIES	**NOTE 8 - COMMITMENTS AND CONTINGENCIES** Litigation The Company has appealed to the California Court of Appeals in a matter involving a consultant. The issue on appeal is the California Superior Court' s failure to disregard a NY state court judgment for approximately $100,000, which the Company asserts was improperly entered and, therefore, should not be recognized as a valid sister state judgment. The Company' s likelihood of success on this appeal cannot be determined at this time. In November 2011, a note holder filed suit against the Company in Nevada State Court in Douglas County, alleging breach of a promissory debenture. The Company has filed motions to dismiss the action based on the fact that the note holder has been dissolved and the Company has entered into individual agreements with its former partners. The case has not been set for trial and, as of this date, there is a low likelihood of an unfavorable outcome. In February 2011, a former employee filed suit against the Company alleging various employment related claims. The Company conducted litigation and discovery and on April 4, 2012, the case was settled in exchange for a judgment of $125,000. In February 2012, a former employee filed suit against the Company alleging various employment related claims. The Company conducted litigation and discovery, the case is set for trial later this year. In June 2012, a vendor filed suit against the Company for breach of contract related to call center services they provided. The Company is currently conducting litigation and discovery, the case is not yet set for trial.

GAIN ON WRITE-OFF FROM DEBT SETTLEMENTS	9 Months Ended Sep. 30, 2012
Foreign Currency [Abstract]	
GAIN ON WRITE-OFF FROM DEBT SETTLEMENTS	**NOTE 9 - GAIN ON WRITE-OFF FROM DEBT SETTLEMENTS** During the nine months ended September 30, 2012, the Company recorded a gain from debt settlements of $446,387 on write off of certain payables on which the statute of limitations has expired relating to the collectability of these payables.

SEGMENTS	9 Months Ended Sep. 30, 2012

SEGMENTS

NOTE 11 - SEGMENTS

During the nine-month periods ended September 30, 2012 and 2011, the Company operated in one business segment. The percentages of sales by geographic region for the nine-month periods ended September 30, 2012 and 2011 were approximately:

	2012	2011
United States	39%	11%
Europe	61%	89%

STOCKHOLDERS DEFICIT (SCHEDULE OF ISSUANCE OF COMMON STOCK) (Details) (USD $)	9 Months Ended	
	Sep. 30, 2012	Sep. 30, 2011
Fair Value Of Stock Issued	$ 804,730	$ 583,325
Common Stock | Stock Options		
Shares Issued Under Stock Options	3,640,000	4,000,000
Shares Issued Under Stock Options, value	78,400	100,000
Fair Value At Issuance Of Common Stock, Price Per Share	$ 0.025	
Common Stock | Stock Options | Minimum		
Fair Value At Issuance Of Common Stock, Price Per Share		$ 0.01
Common Stock | Stock Options | Maximum		
Fair Value At Issuance Of Common Stock, Price Per Share		$ 0.03
Common Stock | Shares Issued For Private Placement		
Shares Issued For Cash	33,251,904	41,258,336
Shares Issued For Cash, Value	612,250	1,852,727
Common Stock | Shares Issued For Private Placement | Minimum		
Fair Value At Issuance Of Common Stock, Price Per Share	$ 0.01	$ 0.03
Common Stock | Shares Issued For Private Placement | Maximum		
Fair Value At Issuance Of Common Stock, Price Per Share	$ 0.05	$ 0.06
Common Stock | Shares Issued For Warrants Exercised		
Shares Issued For Cash	4,000,000	5,109,403
Shares Issued For Cash, Value	47,500	285,442
Common Stock | Shares Issued For Warrants Exercised | Minimum		
Fair Value At Issuance Of Common Stock, Price Per Share	$ 0.01	$ 0.05
Common Stock | Shares Issued For Warrants Exercised | Maximum		
Fair Value At Issuance Of Common Stock, Price Per Share	$ 0.03	$ 0.06
Common Stock | Investor Relations		
Shares Issued For Services	5,850,000	5,395,000
Fair Value Of Stock Issued	196,050	701,325
Common Stock | Investor Relations | Minimum		
Fair Value At Issuance Of Common Stock, Price Per Share	$ 0.03	$ 0.04
Common Stock | Investor Relations | Maximum		
Fair Value At Issuance Of Common Stock, Price Per Share	$ 0.072	$ 0.10
Common Stock | Consulting		
Shares Issued For Services	13,725,000	
Fair Value Of Stock Issued	585,340	
Common Stock | Consulting | Minimum		
Fair Value At Issuance Of Common Stock, Price Per Share	$ 0.03	
Common Stock | Consulting | Maximum		
Fair Value At Issuance Of Common Stock, Price Per Share	$ 0.07	
Common Stock | Accrued Interest Payment		
Shares Issued On Conversion	2,116,737	517,623
Fair Value Of Stock Issued	137,510	38,495

Fair Value At Issuance Of Common Stock, Price Per Share		$ 0.07
Common Stock | Accrued Interest Payment | Minimum		
Fair Value At Issuance Of Common Stock, Price Per Share	$ 0.05	
Common Stock | Accrued Interest Payment | Maximum		
Fair Value At Issuance Of Common Stock, Price Per Share	$ 0.12	
Common Stock | Convertible Promissory Notes And Notes Payable		
Shares Issued On Conversion		29,033,591
Fair Value Of Stock Issued		1,711,508
Common Stock | Convertible Promissory Notes And Notes Payable | Minimum		
Fair Value At Issuance Of Common Stock, Price Per Share		$ 0.05
Common Stock | Convertible Promissory Notes And Notes Payable | Maximum		
Fair Value At Issuance Of Common Stock, Price Per Share		$ 0.10
Common Stock | Notes Payable Interest		
Shares Issued On Conversion		500,000
Fair Value Of Stock Issued		$ 44,000
Fair Value At Issuance Of Common Stock, Price Per Share		$ 0.088

DERIVATIVE LIABILITIES (Tables)	9 Months Ended Sep. 30, 2012

Derivative Liabilities Tables

Schedule Of Derivative Liabilities

A summary of the transactions related to the derivative liability for the nine-month period ended September 30, 2011:

Derivative liability at January 1, 2011	$	470,871
Reclassification of equity contracts to liability contracts		2,407,261
Reclassification of liability contracts to equity contracts		(656)
Issuance of warrants		200,000
Decrease in fair value of derivative liability, recognized as other income		(838,844)
Derivative liability at September 30, 2011	$	2,238,832

A summary of the transactions related to the derivative liability for the nine-month period ended September 30, 2012:

Derivative liability at January 1, 2012	$	–
Issuance of embedded conversion features, recognized as interest expense		672,217
Decrease in fair value of derivative liability, recognized as other expense		(155,936)
Derivative liability at September 30, 2012	$	516,281

Fair Value Of Derivative Instruments Assumptions

The fair value of the derivative instruments were based on the following assumptions:

Exercise price:	$0.05 - $0.13
Market price at date of grant:	$0.09 - $0.13
Expected volatility:	78%
Term:	>1 year
Risk-free interest rate:	0.28% - 1.93%

The fair value of the derivative instruments were based on the following assumptions:

Exercise price:	$0.013 - $0.029
Market price at date of grant:	$0.032 - $0.043
Expected volatility:	76%
Term:	>1 year - 3 years
Risk-free interest rate:	0.06% -0.31%

CONVERTIBLE PROMISSORY NOTE (Details) (USD $)	Sep. 30, 2012	Dec. 31, 2011
Debt Instrument [Line Items]		
Less: Debt Discount	$ 447,061	
Total	2,511,219	1,918,735
Convertible Promissory Notes Maturing Between August 2008 and October 2011		
Debt Instrument [Line Items]		
Convertible Promissory Notes	1,918,735	1,918,735
Convertible Note Payable Maturing in June 2014		
Debt Instrument [Line Items]		
Convertible Promissory Notes	585,000	
Convertible Note Payable Maturing in December 15, 2012		
Debt Instrument [Line Items]		
Convertible Promissory Notes	60,000	
Convertible Note Payable One Year from Effective Date of Each Payment		
Debt Instrument [Line Items]		
Convertible Promissory Notes	54,545	
Convertible Note Payable Maturing on February 18, 2013		
Debt Instrument [Line Items]		
Convertible Promissory Notes	160,000	
Convertible Notes Payable Maturing On September 5 2012, Conversion Price $0.01 Per Share		
Debt Instrument [Line Items]		
Convertible Promissory Notes	100,000	
Convertible Notes Payable Maturing On September 5 2012, Strike Price $0.05 Per Share		
Debt Instrument [Line Items]		
Convertible Promissory Notes	35,000	
Convertible Notes Payable Maturing On August 22 2014		
Debt Instrument [Line Items]		
Convertible Promissory Notes		
Convertible Note Payable Convertible at $0.02, No Maturity Date		
Debt Instrument [Line Items]		
Convertible Promissory Notes	$ 75,000	

STOCKHOLDERS DEFICIT (Narrative) (Details) (USD $)	12 Months Ended Dec. 31, 2011	Sep. 30, 2012	Dec. 31, 2006	Dec. 31, 2002
Issue Of Series B Preferred Stock, Shares	100,000			
Convertible Notes Payable Granted By Lenders And Shareholders	$ 1,500,000			
Series B Preferred Stock Voting Rights	400-to-1			
Common Stock issued as Collateral for Note Payable		3,000,000		
Collateral Note Payable		60,000		
Authorized Shares Of Common Stock Granted Under Stock Option Plan				12,000,000
Change In Authorized Shares Of Common Stock Granted Under Stock Option Plan			27,000,000	
Compensation Costs Related To Non Vested Options Not Yet Recognized		$ 7,089		
Weighted Average Period For Recognition Of Compensation Costs Related To Non Vested Options		3 months		
SeriesBPreferredStockMember				
Issue Of Series B Preferred Stock, Shares	50,000			
Common Stock Held Prior to Convertible Notes Payable	7,416,666			
DirectorMember | SeriesBPreferredStockMember				
Issue Of Series B Preferred Stock, Shares	50,000			

CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited) (USD $)	9 Months Ended	
	Sep. 30, 2012	Sep. 30, 2011
Cash flows from operating activities:		
Net (loss)	$ (2,890,734)	$ (5,329,539)
Adjustments to reconcile net loss to net cash used in operating activities:		
Change in fair value of derivative liabilities	155,936	(577,076)
Fair value of options and warrants issued for services	338,384	468,346
Fair value of option and warrant modifications	12,500	472,458
Fair value of common stock issued in connection with service rendered	804,730	583,325
Fair value of convertible promissory notes modifications		
Fair value of common stock issued in connection with note payable issuance		44,000
Fair Value Of Common Stock Issued To Satisfy Accrued Interest	137,510	
Depreciation and amortization	51,681	110,715
Bad Debt	(1,346)	
Amortization of debt discount	209,703	29,964
Gain on extinguishment of debt	446,387	
Changes in operating assets and liabilities:		
Accounts receivable	17,811	(72,330)
Prepaid expense and other current assets	37,871	25,865
Deferred financing costs	(2,959)	
Accounts payable, accrued expense and accrued payroll taxes	375,686	1,369,084
Accrued interest on convertible promissory notes	29,945	2,567
Net cash used in operating activities	(1,489,474)	(2,872,621)
Cash flows used in investing activities:		
Capital expenditures	(1,055)	(10,265)
Net cash used in investing activities	(1,055)	(10,265)
Cash flows from financing activities:		
Proceeds from issuance of convertible promissory notes	782,000	50,000
Proceeds from issuance of notes payable	25,000	367,600
Repayment of notes payable		(163,000)
Net proceeds from issuance of common stock for cash	612,250	1,166,894
Cash overdraft	(54,621)	(127,321)
Proceeds From Exercise Of Warrants	47,500	112,008
Proceeds from exercise of stock options	78,400	90,000
Net cash provided by financing activities	1,490,529	1,496,181
Net increase (decrease) in cash		(1,386,705)
Cash, beginning of period		
Cash, end of period		(1,386,705)
Supplemental disclosures of cash flow information:		
Cash paid for interest	2,316	
Cash paid for income taxes		

Non-cash investing and financing activities:

Write off of fully depreciated property and equipment		183,641
Fair value of warrants and embedded conversion features issued in connection with the issuance of convertible promissory notes and corresponding debt discount	672,217	
Conversion of convertible promissory notes and accrued interest into shares of common stock		697,500
Conversion of notes payable into shares of common stock		308,500
Fair value of derivative liability	$ 516,282	$ 2,407,261

CONVERTIBLE PROMISSORY NOTES	9 Months Ended Sep. 30, 2012
CONVERTIBLE PROMISSORY NOTES	**NOTE 5 - CONVERTIBLE PROMISSORY NOTES**

Convertible promissory notes

Convertible promissory notes consist of the following as of:

	September 30, 2012	December 31, 2011
Convertible promissory notes, bearing interest between 8% and 10% per annum, maturing between August 2008 and October 2011. Interest is within 30 days after the end of the quarter. Interest may be paid in cash or common stock at the option of the Company. Interest paid in common stock will be calculated at a range of 90% of the average closing price for the common stock for the five trading days preceding the interest payment date to 100% of the volume weighted average price for the common stock for the ten trading days preceding the interest payment date. The promissory notes are convertible at any time at the option of the holder, into shares of common stock at an effective conversion rate ranging from $0.05 to $0.25. These notes are currently in default.	$ 1,918,735	$ 1,918,735
Convertible note payable for up to $1.5 million, convertible at 75% of the Company' s 5-day moving average quoted price of the stock for that month, bearing interest at 10% per annum, payable monthly beginning August 2011, maturing in June 2014.	585,000	–
Convertible note payable, convertible at the lessor of: 1) 70% of the lowest traded price of the Company' s common stock for the 20 trading days prior to the conversion, or 2) $0.035, bearing a one-time interest payment of 10%, payable upon conversion, maturing December 15, 2012.	60,000	–
Convertible note payable for up to $385,000, convertible at the lessor of: 1) $0.035, or 2) 70% of the lowest trade price in the 25 trading days prior to the conversion, bearing an original issuance discount of 9.1% and no interest for the first 90 days, bearing a one-time interest payment of 5% after 90 days, payable on conversion, maturing one year from the effective date of each payment.	54,545	–
Convertible note payable, convertible at 60% of the average of the lowest three trading prices for the Company' s common stock in the ten day trading period ended one trading day prior to the conversion date, bearing interest at 6% per annum, payable upon conversion, maturing on February 18, 2013.	160,000	–
Convertible note payable valued at $100,000, convertible at a conversion price of $0.01 per share maturity or when in default at a strike price of $0.05 per share, maturing on September 5, 2012 2 million warrants with a strike price of one cent per a share, maturing on October 15, 2012	100,000	

Convertible note payable with a value for up to $500,000, convertible at maturity or when in default at a strike price of $0.05 per share, maturing on September 5, 2012 2 million warrants with a strike price of one cent per a share, maturing on October 15, 2012	35,000	
Convertible note payable for up to $150,000, convertible at 70% of the lowest traded price in the 5 trading days prior to the conversion, bearing interest at 6% per annum, maturing on August 22, 2014	75,000	
Convertible note payable, convertible at $0.02, bearing no interest and no maturity date.		
		–
Less: debt discount	477,061	–
	$ 2,511,219	$ 1,918,735

The following sets forth the Company’s activity of its convertible notes payable during the nine-month period ended September 30, 2012 and 2011, respectively:

	Nine-month period ended September 30, 2012	Nine-month period ended September 30, 2011
Reprising of certain convertible promissory notes from $0.16 to $0.12 per share recorded as interest expense	$ –	$ –
Issuance of -0- and 11,760,000 shares of common stock pursuant to conversion of convertible notes payable	–	818,500
Proceeds from issuance of convertible notes payable	782,000	490,000
Fair value of warrants issued to certain promissory note holders recorded as interest expense	–	207,910
Fair value of 2,166,737 and 955,029 shares of common stock to satisfy accrued interest obligations	137,510	50,995
Fair value of warrants and embedded conversion features recorded as corresponding debt discount	672,217	47,672
Fair value of warrants issued to satisfy accrued interest obligations	–	
Amortization of debt discount	209,703	40,761
Notes payable converted to convertible notes payable	302,600	–
Original issuance discount on convertible notes payable	14,545	–

Notes Payable

Notes payable do not have any stated interest rate, are payable on demand and are unsecured, with the exception of one note, which amounts to $37,500, which has a premium of $15,000 and was due on November 16, 2011. The amount due under such note at September 30, 2012 and December 31, 2011 amounts to $15,000.

The following sets forth the Company's activity of its notes payable during the nine-month period ended September 30, 2012 and 2011, respectively:

	Nine-month period ended September 30, 2012	Nine-month period ended September 30, 2011
Principal repayments	$ –	$ 163,000
Proceeds from issuance of note payable	23,000	367,600
Fair value of -0- and 955,029 shares of common stock to satisfy accrued interest obligations	–	115,874
Issuance of -0- and 12,496,000 shares to satisfy obligations under certain notes payable	–	759,500
Conversion of note payable to convertible note payable	257,000	–
Issuance of notes payable to satisfy certain accounts payable	–	37,500

The Company recognized approximately $402,235 and $643,470 during the nine-month periods ended September 30, 2012 and 2011, respectively, as interest expense, which consists of the excess of the fair value of shares of common stock over the carrying value of the convertible promissory notes and notes payable satisfied, amortization of debt discount, amortization of deferred financing costs, fair value of the Company's shares of common stock and warrants issued in lieu of interest.

CONVERTIBLE PROMISSORY NOTE (Details) (Parenthetical) (USD $)	9 Months Ended	12 Months Ended
	Sep. 30, 2012	Dec. 31, 2011
Convertible Promissory Notes Maturing Between August 2008 and October 2011		
Debt Instrument [Line Items]		
Interest Terms	Interest is within 30 days after the end of the quarter. Interest may be paid in cash or common stock at the option of the Company. Interest paid in common stock will be calculated at a range of 90% of the average closing price for the common stock for the five trading days preceding the interest payment date to 100% of the volume weighted average price for the common stock for the ten trading days preceding the interest payment date.	Interest is within 30 days after the end of the quarter. Interest may be paid in cash or common stock at the option of the Company. Interest paid in common stock will be calculated at a range of 90% of the average closing price for the common stock for the five trading days preceding the interest payment date to 100% of the volume weighted average price for the common stock for the ten trading days preceding the interest payment date.
Conversion Terms	The promissory notes are convertible at any time at the option of the holder, into shares of common stock at an effective conversion rate ranging from $0.05 to $0.25	The promissory notes are convertible at any time at the option of the holder, into shares of common stock at an effective conversion rate ranging from $0.05 to $0.25
Maturity Date Description	Maturing between August 2008 and October 2011	Maturing between August 2008 and October 2011
Convertible Promissory Notes Maturing Between August 2008 and October 2011 | Minimum		
Debt Instrument [Line Items]		
Interest Percentage Minimum	8.00%	
Convertible Promissory Notes Maturing Between August 2008 and October 2011 | Maximum		
Debt Instrument [Line Items]		
Interest Percentage Minimum	10.00%	
Convertible Note Payable Maturing in June 2014		
Debt Instrument [Line Items]		

Interest Percentage	10.00%
Interest Terms	One time interest payment
Conversion Terms	Convertible at 75% of the Companyâ ™s 5-day moving average quoted price of the stock for that month
Maturity Date Description	Maturing in June 2014
Convertible Note Payable Maturing in December 15, 2012	
Debt Instrument [Line Items]	
Interest Percentage	10.00%
Conversion Terms	Convertible at the lessor of: 1) 70% of the lowest traded price of the Companyâ ™s common stock for the 20 trading days prior to the conversion, or 2) $0.035
Maturity Date Description	Maturing in December 15, 2012
Convertible Note Payable One Year from Effective Date of Each Payment	
Debt Instrument [Line Items]	
Interest Percentage	5.00%
Interest Terms	No interest for the first 90 days, bearing one-time interest payment after 90 days
Conversion Terms	Convertible at the lessor of: 1) $0.035, or 2) 70% of the lowest trade price in the 25 trading days prior to the conversion
Maturity Date Description	Maturing one year from the effective date of each payment
Convertible Note Issuance Discount	9.10%
Convertible Note Payable Maturing on February 18, 2013	
Debt Instrument [Line Items]	
Interest Percentage	6.00%
Conversion Terms	Convertible at 60% of the average of the lowest three trading prices for the Companyâ ™s common stock in the ten day trading period ended one trading day prior to the conversion date
Maturity Date	Feb. 18, 2013

Convertible Notes Payable Maturing On September 5 2012, Conversion Price $0.01 Per Share	
Debt Instrument [Line Items]	
Conversion Rate	0.01
Conversion Terms	Convertible at a conversion price of $0.01 per share maturity or when in default at a strike price of $0.05 per share
Maturity Date	Sep. 05, 2012
Warrants Issued	2,000,000
Strike Price	One cent per a share
Warrant Expiry Date	2012-10-15
Convertible Notes Payable Maturing On September 5 2012, Strike Price $0.05 Per Share	
Debt Instrument [Line Items]	
Conversion Terms	Convertible at maturity or when in default at a strike price of $0.05 per share
Maturity Date	Sep. 05, 2012
Warrants Issued	2,000,000
Strike Price	One cent per a share
Warrant Expiry Date	2012-10-15
Convertible Notes Payable Maturing On August 22 2014	
Debt Instrument [Line Items]	
Interest Percentage	6.00%
Conversion Terms	Convertible at 70% of the lowest traded price in the 5 trading days prior to the conversion
Maturity Date	Aug. 22, 2014
Convertible Note Payable Convertible at $0.02, No Maturity Date	
Debt Instrument [Line Items]	
Interest Percentage	
Conversion Rate	0.02

STOCKHOLDERS DEFICIT (SCHEDULE OF STOCK OPTIONS ACTIVITY) (Details) (USD $)	9 Months Ended	
	Sep. 30, 2012	Sep. 30, 2011
Stockholders Deficit Schedule Of Stock Options Activity Details		
Weighted-average grant-date fair value of options granted	$ 0.04	$ 0.04
Fair value of options recognized as expense:	$ 299,984	$ 468,346
Options granted	5,640,000	4,500,000

CONVERTIBLE PROMISSORY NOTES (Tables)	9 Months Ended Sep. 30, 2012
Convertible Promissory Notes Tables	
Convertable Promissory Note	Convertible promissory notes consist of the following as of:

	September 30, 2012	December 31, 2011
Convertible promissory notes, bearing interest between 8% and 10% per annum, maturing between August 2008 and October 2011. Interest is within 30 days after the end of the quarter. Interest may be paid in cash or common stock at the option of the Company. Interest paid in common stock will be calculated at a range of 90% of the average closing price for the common stock for the five trading days preceding the interest payment date to 100% of the volume weighted average price for the common stock for the ten trading days preceding the interest payment date. The promissory notes are convertible at any time at the option of the holder, into shares of common stock at an effective conversion rate ranging from $0.05 to $0.25. These notes are currently in default.	$ 1,918,735	$ 1,918,735
Convertible note payable for up to $1.5 million, convertible at 75% of the Company' s 5-day moving average quoted price of the stock for that month, bearing interest at 10% per annum, payable monthly beginning August 2011, maturing in June 2014.	585,000	–
Convertible note payable, convertible at the lessor of: 1) 70% of the lowest traded price of the Company' s common stock for the 20 trading days prior to the conversion, or 2) $0.035, bearing a one-time interest payment of 10%, payable upon conversion, maturing December 15, 2012.	60,000	–
Convertible note payable for up to $385,000, convertible at the lessor of: 1) $0.035, or 2) 70% of the lowest trade price in the 25 trading days prior to the conversion, bearing an original issuance discount of 9.1% and no interest for the first 90 days, bearing a one-time interest payment of 5% after 90 days, payable on conversion, maturing one year from the effective date of each payment.	54,545	–
Convertible note payable, convertible at 60% of the average of the lowest three trading prices for the Company' s common stock in the ten day trading period ended one trading day prior to the conversion date, bearing interest at 6% per annum, payable upon conversion, maturing on February 18, 2013.	160,000	–
Convertible note payable valued at $100,000, convertible at a conversion price of $0.01 per share maturity or when in default at a strike price of $0.05 per share, maturing on September 5, 2012 2 million warrants with a strike price of one cent per a share, maturing on October 15, 2012	100,000	

Convertible note payable with a value for up to $500,000, convertible at maturity or when in default at a strike price of $0.05 per share, maturing on September 5, 2012 2 million warrants with a strike price of one cent per a share, maturing on October 15, 2012	35,000	
Convertible note payable for up to $150,000, convertible at 70% of the lowest traded price in the 5 trading days prior to the conversion, bearing interest at 6% per annum, maturing on August 22, 2014 Convertible note payable, convertible at $0.02, bearing no interest and no maturity date.	75,000	
		–
Less: debt discount	477,061	–
	$ 2,511,219	$ 1,918,735

Convertable Notes Payable

The following sets forth the Company’s activity of its convertible notes payable during the nine-month period ended September 30, 2012 and 2011, respectively:

	Nine-month period ended September 30, 2012	Nine-month period ended September 30, 2011
Reprising of certain convertible promissory notes from $0.16 to $0.12 per share recorded as interest expense	$ –	$ –
Issuance of -0- and 11,760,000 shares of common stock pursuant to conversion of convertible notes payable	–	818,500
Proceeds from issuance of convertible notes payable	782,000	490,000
Fair value of warrants issued to certain promissory note holders recorded as interest expense	–	207,910
Fair value of 2,166,737 and 955,029 shares of common stock to satisfy accrued interest obligations	137,510	50,995
Fair value of warrants and embedded conversion features recorded as corresponding debt discount	672,217	47,672
Fair value of warrants issued to satisfy accrued interest obligations	–	
Amortization of debt discount	209,703	40,761
Notes payable converted to convertible notes payable	302,600	–
Original issuance discount on convertible notes payable	14,545	–

Notes Payable

The following sets forth the Company’s activity of its notes payable during the nine-month period ended September 30, 2012 and 2011, respectively:

	Nine-month period ended September 30, 2012	Nine-month period ended September 30, 2011
Principal repayments	$ –	$ 163,000
Proceeds from issuance of note payable	23,000	367,600
Fair value of -0- and 955,029 shares of common stock to satisfy accrued interest obligations	–	115,874
Issuance of -0- and 12,496,000 shares to satisfy obligations under certain notes payable	–	759,500

Conversion of note payable to convertible note payable	257,000	–
Issuance of notes payable to satisfy certain accounts payable	–	37,500