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TOMBSTONE TECHNOLOGIES, INC.

Form 10-Q

August 13, 2009

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 20549

-----  
FORM 10Q  
-----

(Mark One)

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 For the quarterly period ended June 30, 2009

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

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

Commission file number : 333-38184

TOMBSTONE TECHNOLOGIES, INC.

-----  
(Exact name of registrant as specified in its charter)

Colorado

51-0431963

-----  
(State of Incorporation)

-----  
(IRS Employer ID Number)

5380 Highlands Drive, Longmont, CO 80503

-----  
(Address of principal executive offices)

303-684-6644

-----  
(Registrant's Telephone number)

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 past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to the 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 for Regulation S-T (ss.232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

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

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

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

Indicate the number of share outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

As of July 31, 2009, there were 3,878,000 shares of the registrant's common stock issued and outstanding.

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## PART I

## ITEM 1. FINANCIAL STATEMENTS

TOMBSTONE TECHNOLOGIES, INC.  
(Formerly Tombstone Cards, Inc.)  
(A Development Stage Company)  
Condensed Balance Sheets  
(Unaudited)

June 30, 2009  
(unaudited)

|  |    | June 30, 2009<br>(unaudited) |
|--|----|------------------------------|
| -----  |    |                              |
| Assets   |    |                              |
| Current assets                                 |    |                              |
| Cash and cash equivalents                      | \$ | 8,589                        |
| Accounts receivable                            |    | --                           |
| Prepaid expenses                               |    | 920                          |
| -----  |    |                              |
| Total current assets                           |    | 9,509                        |
| Property and equipment                         |    | 32,803                       |
| Accumulated depreciation                       |    | (22,617)                     |
| Deferred charges                               |    | 106,177                      |
| Intangible assets                              |    | 484                          |
| -----  |    |                              |
| Total assets                                   | \$ | 126,355                      |
| =====  |    |                              |
| Liabilities and Shareholders' Equity           |    |                              |
| Current liabilities:                           |    |                              |
| Accounts payable                               | \$ | 6,074                        |
| Accrued payroll                                |    | --                           |
| Other current liabilities                      |    | 2,754                        |
| Convertible promissory note                    |    | 60,000                       |
| Discount on convertible promissory note        |    | (40,417)                     |
| Current portion - capital lease obligation     |    | 2,456                        |
| -----  |    |                              |
| Total current liabilities                      |    | 30,867                       |
| Capital lease obligation, less current portion |    | 661                          |
| -----  |    |                              |
| Total liabilities                              | \$ | 31,528                       |
| -----  |    |                              |
| Shareholders' equity:                          |    |                              |
| Preferred stock                                |    | --                           |
| Common stock                                   |    | 939,886                      |
| Additional paid-in capital                     |    | 213,275                      |
| Deficit accumulated during development stage   |    | (1,058,333)                  |

|  |    |         |
|--|----|---------|
| Total shareholders' equity                 |    | 94,828  |
| Total liabilities and shareholders' equity | \$ | 126,355 |

See accompanying notes to unaudited condensed financial statements  
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TOMBSTONE TECHNOLOGIES, INC.  
(Formerly Tombstone Cards, Inc.)  
(A Development Stage Company)  
Condensed Statements of Operations  
(Unaudited)

|  | For the Six Months Ended<br>June 30, |              | For the Three<br>Months Ended<br>June 30, |
|--|--------------------------------------|--------------|---|
|  | 2009                                 | 2008         | 2009                                      |
| Continuing operations:   |                                      |              |   |
| Selling, general and administrative expenses                     | \$ 128,215                           | \$ 209,383   | \$ 100,030                                |
| Loss from continuing operations                                  | (128,215)                            | (209,383)    | (100,030)                                 |
| Other income and (expense):                                      |                                      |              |   |
| Interest income  | 5                                    | 3,332        | --  |
| Interest expense   |                                      |              |   |
| Interest expense-amortization of discount<br>on promissory notes | (19,583)                             | --           | (19,583)                                  |
| Interest expense-other   | (1,041)                              | (352)        | (900)                                     |
|  | (20,619)                             | 2,980        | (20,483)                                  |
| Loss before income taxes and discontinued<br>operations          | (148,834)                            | (206,403)    | (120,513)                                 |
| Income tax provision   | --                                   | --           | --  |
| Loss before discontinued operations                              | (148,834)                            | (206,403)    | (120,513)                                 |
| Discontinued operations:   |                                      |              |   |
| Loss from operations of playing card<br>component, net of taxes  | --                                   | (54,869)     | --  |
| Net loss   | \$ (148,834)                         | \$ (261,272) | \$ (120,513)                              |
| Basic and diluted loss per share                                 | \$ (0.04)                            | \$ (0.08)    | \$ (0.04)                                 |

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Basic and diluted weighted average  
common shares outstanding

3,319,341  
=====

3,230,000  
=====

3,449,36  
=====

See accompanying notes to unaudited condensed financial statements  
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TOMBSTONE TECHNOLOGIES, INC.  
(Formerly Tombstone Cards, Inc.)  
(A Development Stage Company)  
Condensed Statements of Cash Flows  
(Unaudited)

|   | For the Six Months Ended<br>June 30, |        |
|---|--------------------------------------|--------|
|   | 2009                                 | 2008   |
|   | -----                                | -----  |
| Cash flows from operating activities:             |                                      |        |
| Net cash flows used in operating activities       | \$ (57,171)                          | \$ (20 |
|   | -----                                | -----  |
| Cash flows from investing activities:             |                                      |        |
| Purchase of property and equipment                | --                                   | (      |
| Purchase of intangible asset                      | (5,000)                              | (      |
|   | -----                                | -----  |
| Net cash flows used in investing activities       | (5,000)                              | (      |
|   | -----                                | -----  |
| Cash flows from financing activities:             |                                      |        |
| Proceeds from convertible promissory notes        | 60,000                               | -      |
| Cash payments on capital lease                    | (1,122)                              | (      |
|   | -----                                | -----  |
| Net cash flows from financing activities          | 58,878                               | (      |
|   | -----                                | -----  |
| Net change in cash and cash equivalents           | (3,293)                              | (20    |
|   | -----                                | -----  |
| Cash and Cash Equivalents:                        |                                      |        |
| Beginning of period                               | 11,882                               | 31     |
|   | -----                                | -----  |
| End of period                                     | \$ 8,589                             | \$ 10  |
|   | =====                                | =====  |
| Supplemental disclosure of cash flow information: |                                      |        |
| Cash paid during the period for:                  |                                      |        |
| Income taxes                                      | \$ --                                | \$ -   |
|   | =====                                | =====  |

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|   |    |        |       |
|---|----|--------|-------|
| Interest  | \$ | 1,041  | \$    |
|   |    | =====  | ===== |
| Noncash investing and financing transactions:         |    |        |       |
| Common stock issued for deferred software development | \$ | 37,870 | \$    |
|   |    | =====  | ===== |

See accompanying notes to un audited condensed financial statements  
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TOMBSTONE TECHNOLOGIES, INC.  
(Formerly Tombstone Cards, Inc.)  
(A Development Stage Company)  
Condensed Statement of Changes in Shareholders' Equity  
(Unaudited)

|  | Common Stock |            | Additional         |
|--|--------------|------------|--------------------|
|  | Shares       | Amount     | Paid-in<br>Capital |
|  | -----        | -----      | -----              |
| Balance at January 1, 2009                         | 3,230,000    | \$ 816,305 | \$ 134,892         |
| March 2009, shares issued for software development | 140,000      | 37,870     | --                 |
| June 2009, shares issued for services by officers  | 476,170      | 85,711     | --                 |
| Stock options issued and extended                  | --           | --         | 18,383             |
| Discount on convertible promissory notes           | --           | --         | 60,000             |
| Net loss   | --           | --         | --                 |
|  | -----        | -----      | -----              |
| Balance at June 30, 2009                           | 3,846,170    | \$ 939,886 | \$ 213,275         |
|  | =====        | =====      | =====              |

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See accompanying notes to unaudited condensed financial statements  
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TOMBSTONE TECHNOLOGIES, INC.  
Notes to the Condensed Financial Statements  
June 30, 2009  
(Unaudited)

Note 1: Basis of Presentation  
-----

The accompanying unaudited condensed financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and with the instructions to Form 10-Q and Regulation S-K. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. In the opinion of the Company, the accompanying unaudited condensed financial statements contain all adjustments (consisting of only normal recurring accruals) necessary to present fairly the financial position as of June 30, 2009, the results of operations for the six months and three months ended June 30, 2009 and 2008, and cash flows for the six months ended June 30, 2009. These financial statements should be read in conjunction with the audited financial statements and notes thereto contained in the Company's annual report on Form 10-K for the year ended December 31, 2008. There have been no updates or changes to our audited financial statements for the year ended December 31, 2008.

The Company had returned to a development stage company due to the change of business plan and strategies in January, 2009.

There is no provision for dividends for the quarter to which this quarterly report relates.

The results of operations for the six months ended June 30, 2009 are not necessarily indicative of the results to be expected for the full year.

Going Concern

The Company's financial statements for the six months ended June 30, 2009, have been prepared on a going concern basis, which contemplates the realization of assets and the settlement of liabilities and commitments in the normal course of business. The Company reported an accumulated deficit of \$1,058,333 as of June 30, 2009. The Company did not recognize revenues from its activities during the six months ended June 30, 2009. These factors raise substantial doubt about the Company's ability to continue as a going concern.

Note 2: Related Parties  
-----

On June 30, the Company issued to two officers a total of 360,000 shares of common stock in lieu of \$36,000 accrued salaries (\$0.10 per share).

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On June 30, the Company issued to one officer a total of 116,170 shares of common stock in lieu of \$11,617 salaries (\$0.10 per share).

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TOMBSTONE TECHNOLOGIES, INC.  
Notes to the Condensed Financial Statements  
June 30, 2009  
(Unaudited)

Note 3: Intangible Assets  
-----

On May 15, 2008, Tombstone Technologies, Inc. (Tombstone) entered into an Intellectual Property Transfer Agreement with InDis Baltic, a Lithuania company, to purchase all of the rights, title and interest in and to the technology, intellectual property and the proprietary technology contained in the computer software known as OIEPrint. OIEPrint was developed as part of a development agreement between Tombstone and InDis Baltic. As part of the Intellectual Property Transfer Agreement, Tombstone agreed to pay the following:

1. \$7,500 immediately upon mutual acceptance of Transfer Agreement,
2. \$7,500 upon final acceptance of the Technology,
3. 140,000 shares of restricted common stock of Tombstone upon final acceptance of the Technology, and
4. \$10,000 in 90 days from the final acceptance of the Technology.

On March 3, 2009, Tombstone issued 140,000 shares of restricted common stock of Tombstone to InDis Baltic as indicated in the above agreement and recorded it as a deferred charge. On June 30, 2009, Tombstone recorded half of the final payment \$5,000 for OIEPrint, which is a deferred charge in the accompanying financial statements. In addition, Tombstone agreed to issue 25,000 shares of common stocks to InDis Baltic as the other half of the final payment in an agreement signed on July 6, 2009. (See Note 7)

Note 4: Convertible Promissory Notes  
-----

During the six months ended June 30, 2009, Tombstone issued Convertible Promissory Notes payable to unrelated third parties totaling \$60,000 with interest accruing at 8% per annum (paid quarterly) maturing twelve months from date of issuance. The notes are immediately convertible to restricted shares of common stock at \$0.10 per share.

A beneficial conversion feature (difference between conversion price and the quoted stock price on the date of commitment) embedded in the convertible promissory notes was measured and recorded as \$40,417 discount on convertible promissory notes and \$19,583 interest expense in the accompanying financial statements for the six-month period ended June 30, 2009.

The following is a summary of convertible promissory notes at June 30, 2009 and December 31, 2008:

|                            | June 30, 2009 | December 31, 2008 |
|----------------------------|---------------|-------------------|
|                            | -----         | -----             |
| Notes issued in March 2009 | \$ 7,500      | \$ -              |



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|                                    |           |      |
|------------------------------------|-----------|------|
| Notes issued in April 2009         | 25,000    | -    |
| Notes issued in May 2009           | 27,500    | -    |
| -----                              |           |      |
| Total convertible promissory notes | \$ 60,000 | \$ - |
| =====                              |           |      |

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TOMBSTONE TECHNOLOGIES, INC.  
Notes to the Condensed Financial Statements  
June 30, 2009  
(Unaudited)

Note 5: Shareholders' Equity  
-----

Shares of Common Stock for Software Development  
-----

In March, 2009, we issued 140,000 shares of common stock for software development.

Stock Options  
-----

Pursuant to our Employee/Consultant Stock Option Plan, stock options generally are granted with an exercise price equal to the market price of our common stock at the date of grant. Substantially all of the options granted to employees and consultants are exercisable pursuant to an immediate vesting schedule with a maximum contractual term of 5 years. The fair value of these options is estimated using the Black-Scholes option pricing model which incorporates the assumptions noted in the table below. The risk-free interest rate for periods within the expected life of the option is based on the U.S. Treasury bond rate in effect at the time of grant. We do not pay dividends and do not expect to do so in the future. Expected volatilities are based on the historical volatilities of appropriate industry sector index. The expected term of the options granted during 2009 is approximately 3 years calculated using the simplified method allowed under Staff Accounting Bulletin No. 107 Share-Based Payment, or SAB No. 107.

We use historical volatility of appropriate industry sector index as we believe it is more reflective of market conditions and a better indicator of volatility. We use the simplified calculation of expected life described in the SAB No. 107. If we determined that another method used to estimate expected volatility was more reasonable than our current methods, or if another method for calculating these input assumptions was prescribed by authoritative guidance, the fair value calculated for share-based awards could change significantly. Higher volatility and longer expected lives result in an increase to share-based compensation determined at the date of grant.

A summary of changes in the number of stock options outstanding for the six months ended June 30, 2009 is as follows:

|          |         |
|----------|---------|
| Weighted | Weight  |
| Average  | Averag  |
| Exercise | Remaini |

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|                                  | Number of<br>Shares | Exercise Price<br>Per Share | Price Per<br>Share | Contract<br>Life |
|----------------------------------|---------------------|-----------------------------|--------------------|------------------|
| Outstanding at December 31, 2008 | 5,020,000           | \$0.65 - \$1.50             | \$0.95             | 1.83 ye          |
| Granted                          | 129,999             | \$0.10 - \$0.20             | --                 | 1.72 ye          |
| Exercised                        | --                  | --                          | --                 | --               |
| Cancelled/Expired                | ---                 | ---                         | ---                | ---              |
| -----                            |                     |                             |                    |                  |
| Outstanding at June 30, 2009     | 5,149,999           | \$0.20 - \$1.50             | \$0.65             | 2.04 ye          |
| =====                            |                     |                             |                    |                  |

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TOMBSTONE TECHNOLOGIES, INC.  
Notes to the Condensed Financial Statements  
June 30, 2009  
(Unaudited)

New Stock Options Granted  
-----

During the second quarter of 2009, we granted to two consultants and one officer, options to purchase 129,999 shares of our common stock at an exercise price of \$0.10 to \$0.20 per share, in exchange for services. The option to purchase 129,999 shares of our common stock vested immediately on grant date in April 2009 and expires in August 2012. Our Board of Directors valued our common stock at \$0.20 and \$0.26 per share on the grant date. We, utilizing appropriate option pricing software, estimated the fair value of the options at \$0.05 to \$0.26 per share for an aggregate grant-date fair value of \$8,009. We recorded \$8,009 in stock-based compensation in the accompanying financial statements for the six-month period ended June 30, 2009.

The fair values of grants made in the six months ended June 30, 2009 were computed using the following assumptions for our stock option plans:

|                                |                    |
|--------------------------------|--------------------|
| Risk-free interest rate        | 0.16% to 0.41%     |
| Dividend yield                 | 0.00%              |
| Volatility factor              | 25.00%             |
| Weighted average expected life | 0.04 to 0.08 years |

Amendment to Stock Option Plan  
-----

On May 27, 2009, our Board of Directors approved an amendment to the Company's Employee/Consultant Stock Option Plan to increase the number of shares authorized from 1,000,000 to 1,500,000.

Modification to Existing Options  
-----

The Board also modified 1,029,999 outstanding stock options under the Company's Employee/Consultant Stock Option Plan by extending their terms until August 31, 2012. Based on the grant-date fair value estimated in accordance with the provisions of SFAS No. 123(R), the fair value of the modification totaled \$10,374, which is being recognized as stock-based compensation expense in the accompanying financial statements for the six-month period ended June 30, 2009.

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The fair values of modifications made in the six months ended June 30, 2009 were computed using the following assumptions for our stock option plans:

|                                |            |
|--------------------------------|------------|
| Risk-free interest rate        | 1.50%      |
| Dividend yield                 | 0.00%      |
| Volatility factor              | 25.00%     |
| Weighted average expected life | 2.29 years |

### Note 6: Income Taxes

-----

The Company records its income taxes in accordance with Statement of Financial Accounting Standard No. 109 (SFAS No. 109), "Accounting for Income Taxes." The Company incurred net operating losses during the periods shown on the condensed financial statements resulting in a deferred tax asset, which was reserved; therefore the net benefit and expense resulted in \$-0- income taxes.

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TOMBSTONE TECHNOLOGIES, INC.  
Notes to the Condensed Financial Statements  
June 30, 2009  
(Unaudited)

### Note 7: Subsequent Events

-----

#### Convertible Promissory Notes

-----

In July 2009, the Company issued Convertible Promissory Notes payable to unrelated third parties totaling \$40,000 with interest accruing at 8% per annum (paid quarterly) due for repayment twelve months from date of issuance. The notes are immediately convertible to restricted shares of common stock at \$0.10 per share.

#### Intangible Assets

-----

On July 6, 2009, the Company recorded 25,000 shares of restricted stock issued to Indis Baltic along with a final payment of \$5,000 to complete the Intellectual Property Transfer Agreement dated May 15, 2008. (See Note 3)

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with our unaudited financial statements and notes thereto included herein. In connection with, and because we desire to take advantage of, the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995, we caution readers regarding certain forward looking statements in the following discussion and elsewhere in this report and in any other statement made by, or on our behalf, whether or not in future filings with the Securities and Exchange Commission. Forward-looking statements are statements not based on historical information and which relate to future operations, strategies, financial results or other developments. Forward looking statements are necessarily based upon estimates and assumptions that are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond our control and many of which, with respect to future business decisions, are subject to change. These uncertainties and contingencies can affect actual results and could cause actual results to differ materially from those expressed in any forward looking statements made by, or on our behalf. We disclaim any obligation to update forward-looking statements.

The independent registered public accounting firm's report on the Company's financial statements as of December 31, 2008, and for each of the years in the two-year period then ended, includes a "going concern" explanatory paragraph, that describes substantial doubt about the Company's ability to continue as a going concern.

OVERVIEW

At June 30, 2009, we had cash on hand of \$8,589. We intend to use our cash funds to continue operations. We intend to continue to develop the business opportunities presented by our OIEPrint(TM) software. The development of the business opportunities includes continued marketing efforts and product testing over the next twelve months.

During the six months ended June 30, 2009, we raised funds through a private financing consisting of \$60,000 in Convertible Promissory Notes that will mature after one year. Payments of interest at the rate of 8.0% per annum will be accrued and paid each quarter to each investor beginning June 30, 2009. We paid the convertible promissory note holders on June 30, 2009, the sum of \$1,041, which included \$15 of accrued interest for the quarter ended March 31, 2009, and \$1,026 of interest for the quarter ended June 30, 2009. The final principle payment to the investors will be payable to the investor one year from their investment date. The convertible promissory notes provide for the holder to convert the promissory note into restricted shares of the Company's common stock at a rate of \$0.10 per share, at any time prior to the payment of the convertible promissory note by the Company. These funds are to be used to support operations of the Company.

In the continuance of our business operations we do not intend to purchase or sell any significant assets and we do not expect a significant change in the number of employees of the Company.

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We are dependent on raising additional equity and/or debt to fund our ongoing operating expenses. There is no assurance that we will be able to raise the necessary equity and/or debt that we will need to be able to negotiate acceptable settlements with our outstanding creditors or fund our ongoing operating expenses. We cannot make any assurances that we will be able to raise funds through such activities.

In addition, the United States is experiencing severe instability in the commercial and investment banking systems which is likely to continue to have far-reaching effects on the economic activity in the country for an indeterminable period. The long-term impact on the United States economy and the Company's operating activities and ability to raise capital cannot be predicted at this time, but may be substantial.

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### RESULTS OF OPERATIONS

For the Three Months Ended June 30, 2009 compared to the Three Months Ended June 30, 2008

During the three months ended June 30, 2009, we did not recognize any sales from its operational activities. During the three months ended June 30, 2008, we recognized \$12,366 in sales from its operational activities in customized playing cards, which is recognized as a part of discontinued operations as a result of the Company's discontinuance of its customized playing card activities and a focus on the development of our OIE Print software.

During the three months ended June 30, 2009, we incurred \$100,030 in selling and general administrative expenses compared to \$140,810 during the June 30, 2008. The decrease of \$40,780 was a result of the decrease in our activities in connection with the customized playing cards combined as discussed above.

During the three months ended June 30, 2009, we recognized a net loss of \$120,519 compared to \$145,999 for the three months ended June 30, 2008. The decrease of \$25,480 was a result of the decreases of \$40,780 offset by an increase of \$19,583 in interest expenses and amortization expenses as a result of the issuance of convertible promissory notes.

For the Six Months Ended June 30, 2009 compared to the Six Months Ended June 30, 2008

During the six months ended June 30, 2009, we did not recognize any sales from our operational activities. During the six months ended June 30, 2008, we recognized sales of \$48,151 during the six months ended June 30, 2008 from the sale of our customized playing cards, which is recognized as a part of discontinued operations as a result of the Company's discontinuance of its customized playing card activities and a focus on the development of our OIE Print software.

During the six months ended June 30, 2009, we incurred general and administrative expenses of \$128,215 compared to \$209,383 during the six months ended June 30, 2008. The decrease of \$81,168 is a result of a \$67,050 decrease in professional fees combined with smaller decreases in the general and administrative expenses resulting from the discontinuance of the customized card printing operations as of December 31, 2008

During the six months ended June 30, 2009, we recognized a net loss of \$148,834 compared to a net loss of \$261,272 during the six months ended June 30, 2008. The decrease of \$112,438 is a result of the \$81,168 decrease in general and

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administrative expenses and the \$54,869 decrease in losses from discontinued expenses offset by an increase of \$19,583 in interest expenses as a result of the issuance of convertible promissory notes.

### LIQUIDITY

At June 30, 2009, we had total current assets of \$9,509, consisting of cash on hand of \$8,589 and \$920 in prepaid expenses. At June 30, 2009, we had total current liabilities of \$30,867, consisting of accounts payable of \$6,074, accrued liabilities of \$2,754, convertible promissory notes of \$60,000, discount on convertible promissory note of (\$40,417) and the current portion of lease obligations of \$2,456.

Net cash used in operating activities during the six months ended June 30, 2009 was \$57,171, compared to net cash used in operating activities during the six months ended June 30, 2008 of \$203,391.

During the six months ended June 30, 2009, we used net cash of \$5,000 in investing activities to complete the purchase of our software. Net cash used in investing activities during the six months ended June 30, 2008 was \$3,486. During the six months ended June 30, 2008, we used \$3,086 in the purchase of property and equipment.

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During the six months ended June 30, 2009, we received \$58,878 from our financing activities. During the six months ended June 30, 2008, we used funds of \$1,472 in our financing activities.

During the six months ended June 30, 2009, we raised funds through a private financing consisting of \$60,000 in Convertible Notes that will mature after one year. Payments of interest at the rate of 8.0% per annum will be accrued and paid each quarter to each investor beginning June 30, 2009. We paid the convertible promissory note holders on June 30, 2009, the sum of \$1,041, which included \$15 of accrued interest for the quarter ended March 31, 2009, and \$1,026 of interest for the quarter ended June 30, 2009. The final principle payment to the investors will be payable to the investor one year from their investment date. The convertible promissory notes provide for the holder to convert the promissory note into restricted shares of the Company's common stock at a rate of \$0.10 per share, at any time prior to the payment of the convertible promissory note by the Company. These funds are to be used to support operations of the Company.

During the six months ended June 30, 2009, the Board of Directors of the Company issued to the officers and directors (2 individuals), in lieu of monies owed for salaries at December 31, 2008 total \$36,000, the issuance of a total of 360,000 restricted shares of our common stock (valued at \$0.10 per share). These shares have been accounted for as a contribution of capital and have been accounted for in additional paid in capital.

During the six months ended June 30, 2009, we issued 116,170 shares of our restricted stock to an officer in lieu of accrued salary from April 6, 2009 through June 30, 2009 of \$11,617. These shares have been accounted for as a contribution of capital and have been accounted for in additional paid in capital.

During the three months ended March 31, 2008, we issued 140,000 shares of our restricted common stock to Indis Baltic for the completion of their work on the development of the OIE Print Software. The shares had a value of \$37,870.

### ITEM 3. QUANTATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not Applicable

ITEM 4. CONTROLS AND PROCEDURES

Disclosures Controls and Procedures

We have adopted and maintain disclosure controls and procedures (as such term is defined in Rules 13a 15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) that are designed to ensure that information required to be disclosed in our reports under the Exchange Act, is recorded, processed, summarized and reported within the time periods required under the SEC's rules and forms and that the information is gathered and communicated to our management, including our Chief Executive Officer (Principal Executive Officer) and Chief Financial Officer (Principal Financial Officer), as appropriate, to allow for timely decisions regarding required disclosure.

As required by SEC Rule 15d-15(b), Messrs. Willis and Cox our Chief Executive Officer and Chief Financial Officer for the quarter ended June 30, 2009, carried out an evaluation under the supervision and with the participation of our management, of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Exchange Act Rule 15d-14 as of the end of the period covered by this report. Based on the foregoing evaluation, Messrs. Willis and Cox have concluded that our disclosure controls and procedures are effective in timely alerting them to material information required to be included in our periodic SEC filings and to ensure that information required to

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be disclosed in our periodic SEC filings is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure as a result of the deficiency in our internal control over financial reporting discussed below.

ITEM 4T. CONTROLS AND PROCEDURES

Management's Quarterly Report on Internal Control over Financial Reporting.

Our management is responsible for establishing and maintaining adequate internal control over financial reporting for the company in accordance with as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Our internal control over financial reporting is designed 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. Our internal control over financial reporting includes those policies and procedures that:

- (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets;
- (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation
- (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized

Management's assessment of the effectiveness of the small business issuer's internal control over financial reporting is as of the quarter ended June 30, 2009. We believe that internal control over financial reporting is effective. We have not identified any, current material weaknesses considering the nature and

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extent of our current operations and any risks or errors in financial reporting under current operations.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

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

There was no change in our internal control over financial reporting that occurred during the fiscal quarter ended June 30, 2009, that has materially affected, or is reasonably likely to materially affect, our internal

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

NONE

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ITEM 2. CHANGES IN SECURITIES

The Company made the following unregistered sales of its securities from April 1, 2009 through June 30, 2009.

| DATE OF SALE  | TITLE OF SECURITIES | NO. OF SHARES | CONSIDERATION                        | CLASS OF PURCHAS |
|---------------|---------------------|---------------|--------------------------------------|------------------|
| June 30, 2009 | Common Stock        | 360,000       | \$36,000 in outstanding compensation | Officers & D     |
| June 30, 2009 | Common Stock        | 116,170       | \$11,617 in outstanding compensation | Office           |

Exemption From Registration Claimed

All of the sales by the Company of its unregistered securities were made by the Company in reliance upon Section 4(2) of the Securities Act of 1933, as amended (the "1933 Act"). All of the individuals and/or entities listed above that purchased the unregistered securities were almost all existing shareholders, all known to the Company and its management, through pre-existing business relationships, as long standing business associates, and employees. All purchasers were provided access to all material information, which they



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requested, and all information necessary to verify such information and were afforded access to management of the Company in connection with their purchases. All purchasers of the unregistered securities acquired such securities for investment and not with a view toward distribution, acknowledging such intent to the Company. All certificates or agreements representing such securities that were issued contained restrictive legends, prohibiting further transfer of the certificates or agreements representing such securities, without such securities either being first registered or otherwise exempt from registration in any further resale or disposition.

### ITEM 3. DEFAULTS UPON SENIOR SECURITIES

NONE

### ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

NONE.

### ITEM 5. OTHER INFORMATION

NONE.

### ITEM 6. EXHIBITS

Exhibits. The following is a complete list of exhibits filed as part of this Form 10-Q. Exhibit numbers correspond to the numbers in the Exhibit Table of Item 601 of Regulation S-K.

Exhibit 31.1 Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act

Exhibit 31.2 Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act

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Exhibit 32.1 Certification of Principal Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act

Exhibit 32.2 Certification of Principal Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act

SIGNATURES

Pursuant to the requirements of Section 12 of the Securities and Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

TOMBSTONE TECHNOLOGIES, INC.  
(Registrant)

Dated: August 12, 2009

By: /s/ Michael Willis

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Michael Willis, Chief Executive Officer

Dated: August 12, 2009

By: /s/ Neil A. Cox

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Neil A. Cox, Chief Financial Officer &  
Chief Accounting Officer