PROTEO INC

FORM 10-Q
(Quarterly Report)

Filed 08/06/10 for the Period Ending 06/30/10

Address	2102 BUSINESS CENTER DRIVE IRVINE, CA 92612
Telephone	949-253-4616
CIK	0001063104
Symbol	PTEO
SIC Code	9995 - Non-Operating Establishments
Industry	Biotechnology & Drugs
Sector	Healthcare
Fiscal Year	12/31

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2010

OR

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

For the transition period from _____ to _____

Commission file number 000-30728

PROTEO, INC.
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

NEVADA	**88-0292249**
(STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)	(I.R.S. EMPLOYER IDENTIFICATION NO.)
2102 BUSINESS CENTER DRIVE, IRVINE, CALIFORNIA	**92612**
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)	(ZIP CODE)

(949) 253-4616
(Registrant's telephone number, including area code)

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 web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☐ No ☐ .

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

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

CLASS	NUMBER OF SHARES OUTSTANDING
Common Stock, $0.001 par value	23,879,350 shares of common stock at August 5, 2010

PROTEO, INC.
AND SUBSIDIARY
(A DEVELOPMENT STAGE COMPANY)

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PROTEO, INC. AND SUBSIDIARY
(A DEVELOPMENT STAGE COMPANY)
CONDENSED CONSOLIDATED BALANCE SHEETS

ASSETS

	June 30, 2010 (Unaudited)	December 31, 2009
CURRENT ASSETS		
Cash and cash equivalents	$ 335,804	$ 689,126
Research supplies inventory	481,878	581,919
Prepaid expenses and other current assets	30,344	67,469
	848,026	1,338,514
PROPERTY AND EQUIPMENT, NET	175,284	232,469
	$ 1,023,310	$ 1,570,983
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$ 98,758	$ 190,627
Accrued licensing fees	73,248	85,998
	172,006	276,625
LONG TERM LIABILITIES		
Deferred fees	99,849	117,230
Accrued licensing fees	659,232	773,982
	759,081	891,212
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY		
Non-voting preferred stock, par value $0.001 per share; 10,000,000 shares authorized; 661,500 and 630,000 shares issued and outstanding at June 30, 2010 and December 31, 2009, respectively	662	630
Common stock, par value $0.001 per share; 300,000,000 shares authorized; 23,879,350 shares issued and outstanding	23,880	23,880
Additional paid-in capital	8,567,634	8,567,634
Note receivable for sale of preferred stock	(1,595,243)	(1,731,306)
Accumulated other comprehensive income	64,340	316,528
Deficit accumulated during development stage	(6,969,050)	(6,774,220)
Total Proteo, Inc. Stockholders' Equity	92,223	403,146
Noncontrolling Interest	-	-
Total Stockholders' Equity	92,223	403,146
Total Liabilities and Stockholders' Equity	$ 1,023,310	$ 1,570,983

SEE ACCOMPANYING NOTES TO THESE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

PROTEO, INC. AND SUBSIDIARY
(A DEVELOPMENT STAGE COMPANY)
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
FOR THE THREE MONTH AND SIX MONTH PERIODS ENDED JUNE 30, 2010 AND 2009
AND FOR THE PERIOD FROM NOVEMBER 22, 2000 (INCEPTION) THROUGH JUNE 30, 2010

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,		NOVEMBER 22, 2000 (INCEPTION) THROUGH JUNE 30,
	2010	2009	2010	2009	2010
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS					
REVENUES	$ -	$ -	$ -	$ -	$ -
EXPENSES					
General and administrative	115,412	175,138	170,193	235,542	4,544,890
Research and development	122,584	104,660	238,367	224,546	2,904,076
	237,996	279,798	408,560	460,088	7,448,966
INTEREST AND OTHER INCOME (EXPENSE), NET	158,473	36,165	213,762	92,540	416,974
NET LOSS	(79,523)	(243,633)	(194,798)	(367,548)	(7,031,992)
LESS: NET LOSS ATTRIBUTABLE TO NONCONTROLLING INTEREST	-	-	-	-	63,004
NET LOSS ATTRIBUTABLE TO PROTEO, INC.	(79,523)	(243,633)	(194,798)	(367,548)	(6,968,988)
PREFERRED STOCK DIVIDEND	(32)	(30)	(32)	(30)	(62)
NET LOSS ATTRIBUTABLE TO COMMON STOCKHOLDERS	$ (79,555)	$ (243,663)	$ (194,830)	$ (367,578)	$ (6,969,050)
BASIC AND DILUTED LOSS ATTRIBUTABLE TO PROTEO, INC. COMMON SHAREHOLDERS	$ (0.00)	$ (0.01)	$ (0.01)	$ (0.02)	
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	23,879,350	23,879,350	23,879,350	23,879,350	
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS					
NET LOSS ATTRIBUTABLE TO PROTEO, INC.	$ (79,523)	$ (243,633)	$ (194,798)	$ (367,548)	$ (6,968,988)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS	(141,019)	150,008	(252,188)	29,105	64,340
COMPREHENSIVE LOSS	$ (220,542)	$ (93,625)	$ (446,986)	$ (338,443)	$ (6,904,648)

SEE ACCOMPANYING NOTES TO THESE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

PROTEO, INC. AND SUBSIDIARY
(A DEVELOPMENT STAGE COMPANY)
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTH AND SIX MONTH PERIODS ENDED JUNE 30, 2010 AND 2009
AND FOR THE PERIOD FROM NOVEMBER 22, 2000 (INCEPTION) THROUGH JUNE 30, 2010

	SIX MONTHS ENDED JUNE 30,		NOVEMBER 22, 2000 (INCEPTION) THROUGH JUNE 30,
	2010	2009	2010
CASH FLOWS FROM OPERATING ACTIVITIES			
Net loss	$ (194,798)	$ (367,548)	$ (6,968,988)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation	24,771	28,416	415,972
Bad debt expense	-	-	60,408
Loss on disposal of equipment	-	-	4,518
Foreign currency transaction gains	(207,478)	(2,940)	(9,916)
Changes in operating assets and liabilities:			
Research supplies inventory	15,010	(6,654)	(568,490)
Prepaid expenses and other current assets	29,573	51,909	(97,149)
Accounts payable and accrued liabilities	(76,079)	(33,024)	76,345
Deferred revenue	-	-	120,341
Accrued licensing fees	-	-	660,713
NET CASH USED IN OPERATING ACTIVITIES	(409,001)	(329,841)	(6,306,246)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property and equipment	-	(17,823)	(633,614)
Cash of reorganized entity	-	-	27,638
NET CASH USED IN INVESTING ACTIVITIES	-	(17,823)	(605,976)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of common stock	-	-	1,792,610
Proceeds from subscribed common stock and issuance of preferred stock	136,063	335,383	5,195,732
NET CASH PROVIDED BY FINANCING ACTIVITIES	136,063	335,383	6,988,342
EFFECT OF FOREIGN CURRENCY EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(80,384)	28,503	259,684
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(353,322)	16,222	335,804
CASH AND CASH EQUIVALENTS--BEGINNING OF PERIOD	689,126	1,237,450	-
CASH AND CASH EQUIVALENTS--END OF PERIOD	$ 335,804	$ 1,253,672	$ 335,804

SEE ACCOMPANYING NOTES TO THESE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

PROTEO, INC. AND SUBSIDIARY
(A DEVELOPMENT STAGE COMPANY)
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2010 (UNAUDITED)

1. NATURE OF BUSINESS AND BASIS OF PRESENTATION

BASIS OF PRESENTATION

The accompanying condensed consolidated balance sheet as of December 31, 2009, which has been derived from audited financial statements, and the accompanying interim condensed consolidated financial statements as of June 30, 2010, for the three-month and six-month periods ended June 30, 2010 and 2009, and for the period from November 22, 2000 (Inception) through June 30, 2010 have been prepared by management pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC") for interim financial reporting. These interim condensed consolidated financial statements are unaudited and, in the opinion of management, include all adjustments (consisting only of normal recurring adjustments and accruals) necessary to present fairly the financial condition, results of operations and cash flows of Proteo, Inc. and its wholly owned subsidiary (hereinafter collectively referred to as the "Company") as of and for the periods presented in accordance with accounting principles generally accepted in the United States of America ("GAAP"). Operating results for the three-month and six-month periods ended June 30, 2010 are not necessarily indicative of the results that may be expected for the year ending December 31, 2010 or for any other interim period during such year. Certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP have been omitted in accordance with the rules and regulations of the SEC. The accompanying condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto contained in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2009 filed with the SEC on March 29, 2010.

NATURE OF BUSINESS

The Company intends to develop, manufacture, promote and market pharmaceuticals and other biotech products. The Company is focused on the development of pharmaceuticals based on the human protein Elafin which naturally occurs in human skin, lungs and mammary glands. The Company believes Elafin may be useful in the treatment of cardiac infarction, serious injuries caused by accidents, post surgery damage to tissue, complications resulting from organ transplantations and pulmonary arterial hypertension.

The products that the Company is developing are considered drugs or biologics, and hence are governed by the Federal Food, Drug and Cosmetics Act (in the United States) and the regulations of State and various foreign government agencies. The Company's proposed pharmaceutical products to be used by humans are subject to certain clearance procedures administered by the above regulatory agencies.

Since its inception, the Company has primarily been engaged in the research and development of its proprietary product Elafin. Once the research and development phase is complete, the Company intends to manufacture and seek the various governmental regulatory approvals for the marketing of Elafin. Management believes that none of its planned products will produce sufficient revenues in the near future. As a result, the Company plans to identify and develop other potential products. There are no assurances, however, that the Company will be able to develop such products, or if produced, that they will be accepted in the marketplace.

Proteo, Inc.'s common stock is currently quoted on the OTC Bulletin Board of the Financial Industry Regulatory Authority under the symbol "PTEO".

DEVELOPMENT STAGE AND GOING CONCERN CONSIDERATIONS

The Company has been in the development stage since it began operations on November 22, 2000, and has not generated any significant revenues from operations. Management plans to generate revenues from product sales, but there is no commitment by any persons for purchase of any of the proposed products and there is no assurance of any future revenue. The Company will require substantial additional funding for continuing research and development, obtaining regulatory approvals and for the commercialization of its product. There can be no assurance that the Company will be able to obtain sufficient additional funds when needed, or that such funds, if available, will be obtainable on terms satisfactory to the Company.

DEVELOPMENT STAGE AND GOING CONCERN CONSIDERATIONS (continued)

Management has taken action to address these matters, which include:

- Retention of experienced management personnel with particular skills in the development of such products;
- Attainment of technology to develop biotech products; and
- Raising additional funds through the sale of debt and/or equity securities.

In the absence of significant sales and profits, the Company may seek to raise funds to meet its future working capital requirements through the additional sales of debt and/or equity securities. There is no assurance that the Company will be able to obtain sufficient additional funds when needed, or that such funds, if available, will be obtainable on terms satisfactory to the Company.

These circumstances, among others, raise concerns about the Company's ability to continue as a going concern. The accompanying condensed consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

CONCENTRATIONS

The Company maintains substantially all of its cash in bank accounts at a German private commercial bank. The Company's bank accounts at this financial institution are presently protected by the voluntary "Deposit Protection Fund of The German Private Commercial Banks". The Company has not experienced any losses in these accounts.

Proteo, Inc.'s operations, including research and development activities and most of its assets are located in Germany. The Company's operations are subject to various political, economic, and other risks and uncertainties inherent in Germany and the European Union.

OTHER RISKS AND UNCERTAINTIES

Proteo, Inc.'s line of future pharmaceutical products being developed by its German subsidiary are considered drugs or biologics, and as such, are governed by the Federal Food, Drug and Cosmetics Act (in the United States) and by the regulations of State agencies and various foreign government agencies. There can be no assurances that the Company will obtain the regulatory approvals required to market its products. The pharmaceutical products under development in Germany will be subject to more stringent regulatory requirements because they are recombinant products for humans. The Company has no experience in obtaining regulatory clearance on these types of products. Therefore, the Company will be subject to the risks of delays in obtaining or failing to obtain regulatory clearance and other uncertainties, including financial, operational, technological, regulatory and other risks associated with an emerging business, including the potential risk of business failure.

The Company is exposed to risks related to fluctuations in foreign currency exchange rates. Management does not utilize derivative instruments to hedge against such exposure.

PRINCIPLES OF CONSOLIDATION

The condensed consolidated financial statements have been prepared in accordance with GAAP and include the accounts of Proteo, Inc. and Proteo Biotech AG, its wholly owned subsidiary. All significant intercompany accounts and transactions have been eliminated in consolidation.

Effective January 1, 2009, the Company adopted new guidance to the Consolidation Topic of the Financial Accounting Standard Board’s (“FASB”) new Accounting Standards Codification (“ASC” or “Codification”). This guidance improves the relevance, comparability and transparency of the financial information that a company provides in its consolidated financial statements by establishing accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. This standard requires the Company to classify noncontrolling interests (previously referred to as "minority interest") as part of consolidated net earnings and to include the accumulated amount of noncontrolling interests as part of stockholders' equity.

PRINCIPLES OF CONSOLIDATION (continued)

The net loss amounts the Company has previously reported are now presented as "Net loss attributable to Proteo, Inc" and, as required by the Codification, loss per share continues to reflect amounts attributable only to the Company. Similarly, in the presentation of stockholders' equity, the Company distinguishes between equity amounts attributable to the Company's stockholders and amounts attributable to the noncontrolling interest - previously classified as minority interest outside of stockholders' equity. In addition to these financial reporting changes, this guidance provides for significant changes in accounting related to noncontrolling interests; specifically, increases and decreases in the Company's controlling financial interests in consolidated subsidiaries will be reported in equity similar to treasury stock transactions. If a change in ownership of a consolidated subsidiary results in loss of control and deconsolidation, any retained ownership interests are remeasured with the gain or loss reported in net earnings. Except for presentation, the implementation of this guidance did not have a material effect on the Company's condensed consolidated financial statements because a substantive contractual arrangement specifies the attribution of net earnings and loss not to exceed the noncontrolling interest.

FAIR VALUE OF FINANCIAL INSTRUMENTS AND CERTAIN OTHER ASSETS/LIABILITIES

The Fair Value Measurements and Disclosures Topic of the ASC requires disclosure of fair value information about financial instruments when it is practicable to estimate that value. Management believes that the carrying amounts of the Company's financial instruments, consisting primarily of cash and cash equivalents, accounts payable and accrued liabilities, approximate their fair value at June 30, 2010 due to their short-term nature. The Company does not have any assets or liabilities that are measured at fair value on a recurring basis and, during the six-month periods ended June 30, 2010 and 2009 and for the period from November 22, 2000 (Inception) through June 30, 2010, did not have any assets or liabilities that were measured at fair value on a non-recurring basis.

SIGNIFICANT RECENT ACCOUNTING PRONOUNCEMENTS

Effective September 30, 2009, the Company adopted the FASB’s new ASC as the single source of authoritative accounting guidance under the Generally Accepted Accounting Principles Topic. The ASC does not create new accounting and reporting guidance, rather it reorganizes GAAP pronouncements into approximately 90 topics within a consistent structure. All guidance in the ASC carries an equal level of authority. Relevant portions of authoritative content, issued by the SEC, for SEC registrants, have been included in the ASC. After the effective date of the Codification, all nongrandfathered, non-SEC accounting literature not included in the ASC is superseded and deemed nonauthoritative. Adoption of the Codification also changed how the Company references GAAP in its condensed consolidated financial statements.

In January 2010, the FASB issued ASU No. 2010-06, *Fair Value Measurements and Disclosures (Topic 820): Improving Disclosures about Fair Value Measurements* . This ASU requires some new disclosures and clarifies some existing disclosure requirements about fair value measurement as set forth in Codification Subtopic 820-10. The FASB’s objective is to improve these disclosures and, thus, increase the transparency in financial reporting. ASU 2010-06 is effective for interim and annual reporting periods beginning after December 15, 2009, except for the disclosures about purchases, sales, issuances, and settlements in the roll forward of activity in Level 3 fair value measurements. Those disclosures are effective for fiscal years beginning after December 15, 2010, and for interim periods within those fiscal years. Early application is permitted. The adoption of this guidance had no impact on the Company’s condensed consolidated financial statements.

In December 2009, the FASB issued ASU 2009-17, *Consolidations (Topic 810) - Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities* , which codifies FASB Statement No. 167, *Amendments to FASB Interpretation No. 46(R)* . ASU 2009-17 represents a revision to former FASB Interpretation No. 46 (Revised December 2003), *Consolidation of Variable Interest Entities* , and changes how a reporting entity determines when an entity that is insufficiently capitalized or is not controlled through voting (or similar rights) should be consolidated. ASU 2009-17 also requires a reporting entity to provide additional disclosures about its involvement with variable interest entities and any significant changes in risk exposure due to that involvement. A reporting entity will be required to disclose how its involvement with a variable interest entity affects the reporting entity’s financial statements. ASU 2009-17 is effective at the start of a reporting entity’s first fiscal year beginning after November 15, 2009, or January 1, 2010, for a calendar year-end entity. Early application is not permitted. The adoption of this guidance had no impact on the Company’s consolidated financial statements.

SIGNIFICANT RECENT ACCOUNTING PRONOUNCEMENTS (continued)

In June 2009, the FASB issued Statements on Financial Accounting Standards ("SFAS") No. 166, *Accounting for Transfers of Financial Assets—An Amendment of FASB Statement 140* , which eliminates the concept of qualified special purpose entities (QSPEs) and provides additional criteria transferors must use to evaluate transfers of financial assets. This standard modifies certain guidance contained in FASB ASC 860 and is adopted into the Codification through the issuance of ASU 2009-16, *Transfers and Servicing (Topic 860): Accounting for Transfers of Financial Assets* . In order to determine whether a transfer is accounted for as a sale, the transferor must assess whether it and all of its consolidated entities have surrendered control of the financial assets. The standard also requires financial assets and liabilities retained from a transfer accounted for as a sale to be initially recognized at fair value. This standard is effective for fiscal years and interim periods beginning after November 15, 2009, with adoption applied prospectively for transfers that occur on or after the effective date. The adoption of this guidance had no impact on the Company's consolidated financial statements.

Except as described above, in the opinion of management, neither the FASB, its Emerging Issues Task Force, the AICPA, nor the SEC have issued any additional accounting pronouncements since the Company filed its December 31, 2009, Form 10-K that are expected to have material impact on the Company's future consolidated financial statements.

2. STOCK SUBSCRIPTIONS RECEIVABLE AND OTHER EQUITY TRANSACTIONS

The Company is authorized to issue 10,000,000 shares of preferred stock, $0.001 par value. Except as described below, the Board of Directors has not designated any liquidation value, dividend rates or other rights or preferences with respect to any shares of preferred stock.

The Board of Directors has designated 750,000 preferred shares as non-voting Series A Preferred Stock. As more fully described in the Company's Form 8-K filed with the SEC on June 11, 2008, holders of Series A Preferred Stock are entitled to receive preferential dividends, if and when declared, at the per share rate of twice the per share amount of any cash or non-cash dividend distributed to holders of the Company's common stock. If no dividend is distributed to common stockholders, the holders of Series A Preferred Stock are entitled to an annual stock dividend payable at the rate of one share of Series A Preferred Stock for each twenty shares of Series A Preferred Stock owned by each holder of Series A Preferred Stock. The annual stock dividend shall be paid on June 30 of each year commencing in 2009 and no stock dividends will be paid after December 31, 2011.

On June 9, 2008, the Company entered into a Preferred Stock Purchase Agreement ("Stock Purchase Agreement") with FIDEsprit (the "Investor"), a common stockholder and related party. Pursuant to the Stock Purchase Agreement, the Company sold and issued to the Investor 600,000 shares of Series A Preferred Stock at a price of $6.00 per share, for an aggregate price of $3,600,000 ("Purchase Price"). In payment of the Purchase Price, the Investor delivered to the Company a promissory note in the amount of $3,600,000 (the "Note"), maturing on March 31, 2009. The Note was guaranteed by a principal of the Investor (the "Guaranty"). The Series A Preferred Stock note receivable is reported as a reduction of stockholders' equity.

On July 6, 2009, the Company and Investor entered into a Forbearance Agreement and General Release (the "Forbearance Agreement") to renegotiate the terms of the Note. Pursuant to the Forbearance Agreement, the Investor acknowledged and agreed that, as of July 6, 2009, it was obligated to the Company under the Note for the aggregate sum of $1,940,208 (the "Indebtedness"), which represented the unpaid principal amount as of such date plus a late charge equal to three percent (3%) of the unpaid principal amount (approximately $65,000). In exchange for the Company's agreement to forbear from exercising its rights under the Note and Guaranty, the Investor agreed to pay the Indebtedness by making monthly payments in the amount of $140,000 commencing on the first business day of September 2009 and continuing on the first business day of each succeeding month thereafter until the Indebtedness is paid in full. As of September 30, 2009, the first installment of $140,000 had not been fully paid, and therefore the Investor was technically in default of the Forbearance Agreement.

2. STOCK SUBSCRIPTIONS RECEIVABLE AND OTHER EQUITY TRANSACTIONS (continued)

On February 11, 2010, the Company entered into an Agreement on the Assumption of Debt ("Agreement") between the Company, btd biotech development GmBH ("Assignee"), and Axel J. Kutscher (the "Guarantor" of the Note). Pursuant to the Agreement, the Company consented to Assignee's assumption of the obligations owed to the Company by Investor under the Note, Stock Purchase Agreement and Forbearance Agreement. The Guarantor consented to the assumption of the obligations owed to the Company by Investor and acknowledged, agreed, and consented to the continuing validity of his guaranty. During the six-month period ended June 30, 2010, the Company received payments approximating $136,000, in connection with this agreement. While these payments do not satisfy the terms of the Forbearance Agreement, the Company and the Assigned are currently negotiating new payment terms. The note receivable approximated $1,595,000 at June 30, 2010.

Effective June 30, 2010 and 2009, the Company declared a stock dividend of 31,500 shares and 30,000 shares, respectively, of Series A Preferred Stock payable to its Series A Preferred Stock holders pursuant to the Stock Purchase Agreement.

There were no issuances of common stock during the six-month periods ended June 30, 2010 and 2009, nor have any stock options been granted from inception to date.

3. LOSS PER COMMON SHARE

Basic loss per common share is computed based on the weighted average number of shares outstanding for the period. Diluted loss per common share is computed by dividing net loss attributable to common stockholders by the weighted average shares outstanding assuming all dilutive potential common shares were issued. There were no dilutive potential common shares outstanding at June 30, 2010 and 2009. Additionally, there were no adjustments to net loss to determine net loss available to common shareholders. As such, basic and diluted loss per common share equals net loss, as reported, divided by the weighted average common shares outstanding for the respective periods.

4. FOREIGN CURRENCY TRANSLATION

Assets and liabilities of the Company's German operations are translated from Euros (the functional currency) into U.S. dollars (the reporting currency) at period-end exchange rates; equity transactions are translated at historical rates; and income and expenses are translated at weighted average exchange rates for the period. Net foreign currency exchange gains or losses resulting from such translations are excluded from the results of operations but are included in other comprehensive income and accumulated in a separate component of stockholders' equity. Accumulated other comprehensive income approximated $64,000 at June 30, 2010 and $317,000 at December 31, 2009.

5. FOREIGN CURRENCY TRANSACTIONS

The Company records payables related to a certain licensing agreement (Note 7) in accordance with the Foreign Currency Matters Topic of the Codification. Quarterly commitments under such agreement are denominated in Euros. For each reporting period, the Company translates the quarterly amount to U.S. dollars at the exchange rate effective on that date. If the exchange rate changes between when the liability is incurred and the time payment is made, a foreign exchange gain or loss results. The Company has made no payments under this licensing agreement during the six-month periods ended June 30, 2010 and 2009, and, therefore, has not realized any significant foreign currency exchanges gains or losses during these periods.

Additionally, the Company computes a foreign exchange gain or loss at each balance sheet date on all recorded transactions denominated in foreign currencies that have not been settled. The difference between the exchange rate that could have been used to settle the transaction on the date it occurred and the exchange rate at the balance sheet date is the unrealized gain or loss that is currently recognized. The Company recorded foreign currency transaction gains of approximately $207,000 and $3,000 for the six-month periods ended June 30, 2010 and 2009, respectively, which are included in interest and other income (expense), net in the accompanying condensed consolidated statements of operations and comprehensive loss.

6. SEGMENTS OF AN ENTERPRISE AND RELATED INFORMATION

The Company considers itself to operate in one segment and has not generated any significant operating revenues since its inception. All of the Company's property and equipment is located in Germany.

7. DR. WIEDOW LICENSE AGREEMENT

On December 30, 2000, the Company entered into a thirty-year license agreement, beginning January 1, 2001 (the "License Agreement"), with Dr. Oliver Wiedow, MD, the owner and inventor of several patents, patent rights and technologies related to Elafin. Pursuant to the License Agreement, the Company agreed to pay Dr. Wiedow an annual license fee of 110,000 Euros for a period of six years. No payments were made through fiscal year 2003. In 2004, the License Agreement was amended to require the Company to make annual payments of 30,000 Euros, to be paid on July 15 of each year, beginning in 2004. Such annual payment could be increased to 110,000 Euros by June 1 of each year based on an assessment of the Company's financial ability to make such payments. In December 2007 the Company paid Dr. Wiedow 30,000 Euros. The License Agreement was again amended by an Amendment Agreement to the License Agreement (the "Amendment") dated December 23, 2008. Pursuant to the Amendment, the Company and Dr. Wiedow agreed that the Company would pay the outstanding balance of 630,000 Euros to Dr. Wiedow as follows: for fiscal years 2008 to 2012, the Company shall pay Dr. Wiedow 30,000 Euros per year, and for fiscal years 2013 to 2016, the Company shall pay Dr. Wiedow 120,000 Euros per year. The foregoing payments shall be made on or before December 31 of each fiscal year. In December 2008 the Company paid Dr. Wiedow 30,000 Euros. No payments were made under this agreement during 2009 or the six-months ended June 30, 2010. While the total amount owed does not currently bear interest, the Amendment provides that any late payment shall be subject to interest at an annual rate equal to the German Base Interest Rate (0.12% as of January 1, 2010) plus six percent. In the event that the Company's financial condition improves, the parties can agree to increase and/or accelerate the payments.

The Amendment also modified the royalty payment such that from the date of the Amendment the Company will not only pay Dr. Wiedow a three percent royalty on gross revenues from the Company's sale of products based on the licensed technology but also three percent of the license fees (including upfront and milestone payments and running royalties) received by the Company or its subsidiary from their sublicensing of the licensed technology.

At June 30, 2010 and December 31, 2009, the Company has accrued approximately $732,000 and $860,000, respectively. The difference in amounts at June 30, 2010 compared to December 31, 2009 is primarily attributable to the unrealized foreign currency transaction gain described in Note 5.

Dr. Wiedow, who is a director of the Company, beneficially owned approximately 45% of the Company's outstanding common stock as of June 30, 2010.

8. INCOME TAXES

The Company accounts for income taxes under the asset and liability method, whereby 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 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. Management evaluates the need to establish a valuation allowance for deferred tax assets based upon the amount of existing temporary differences, the period in which they are expected to be recovered and expected levels of taxable income. A valuation allowance to reduce deferred tax assets is established when it is “more likely than not” that some or all of the deferred tax assets will not be realized. Management has determined that a full valuation allowance against the Company’s net deferred tax assets is appropriate.

There is no material income tax expense recorded for the periods ended June 30, 2010 and 2009, due to the Company's net losses and related changes to the valuation allowance for deferred tax assets.

As of June 30, 2010, the Company has a deferred tax asset and an equal amount of valuation allowance of approximately $1,736,000, relating primarily to federal and foreign net operating loss carryforwards of approximately $439,000 and $1,075,000, respectively, as discussed below, and timing differences related to the recognition of accrued licensing fees of approximately $221,000.

8. INCOME TAXES (continued)

The Company has federal and foreign net operating loss carry forwards approximating $1,293,000 and $4,299,000, respectively, at June 30, 2010, which are expected to begin expiring in 2025 for federal purpose and for foreign purpose it has an indefinite life.

Utilization of the net operating losses ("NOL") carry forwards may be subject to a substantial annual limitation due to ownership change limitations that may have occurred or that could occur in the future, as required by Section 382 of the Internal Revenue Code of 1986, as amended (the "Code"), as well as similar state and foreign provisions. These ownership changes may limit the amount of NOL carryforwards that can be utilized annually to offset future taxable income and tax, respectively. In general, an "ownership change" as defined by Section 382 of the Code results from a transaction or series of transactions over a three-year period resulting in an ownership change of more than 50 percentage points of the market value of a company by certain stockholders or public groups. Due to the existence of the valuation allowance, future changes in the Company's unrecognized tax benefits will not impact its effective tax rate. Any carry forwards that may expire prior to utilization as a result of such limitations will be removed, if applicable, from deferred tax assets with a corresponding reduction of the valuation allowance.

Based on management's evaluation of uncertainty in income taxes, the Company concluded that there were no significant uncertain tax positions requiring recognition in its financial statements or related disclosures. Accordingly, no adjustments to recorded tax liabilities or accumulated deficit were required. As of June 30, 2010, there were no increases or decreases to liability for income taxes associated with uncertain tax positions.

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

CAUTIONARY STATEMENTS:

This Quarterly Report on Form 10-Q contains certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). The Company intends that such forward-looking statements be subject to the safe harbors created by such statutes. The forward-looking statements included herein are based on current expectations that involve a number of risks and uncertainties. Accordingly, to the extent that this Quarterly Report contains forward-looking statements regarding the financial condition, operating results, business prospects or any other aspect of the Company, please be advised that the Company's actual financial condition, operating results and business performance may differ materially from that projected or estimated by management in forward-looking statements.

Such differences may be caused by a variety of factors, including but not limited to adverse economic conditions, intense competition, including intensification of price competition and entry of new competitors and products, adverse federal, state and local government regulation, inadequate capital, unexpected costs and operating deficits, increases in general and administrative costs and other specific risks that may be alluded to in this Quarterly Report or in other reports issued by the Company. In addition, the business and operations of the Company are subject to substantial risks that increase the uncertainty inherent in the forward-looking statements. The inclusion of forward looking statements in this Quarterly Report should not be regarded as a representation by management or any other person that the objectives or plans of the Company will be achieved.

Since inception, the Company has generated a relatively minor amount of non-operating revenue from its licensing activities and does not expect to report any significant operating revenue until the successful development and marketing of its planned pharmaceutical and other biotech products. Additionally, after the launch of the Company's products, there can be no assurance that the Company will generate positive cash flow and there can be no assurances as to the level of revenues, if any, the Company may actually achieve from its planned principal operations.

OVERVIEW

The Company specializes in the research, development and marketing of drugs for inflammatory diseases with Elafin as its first project. The Company’s Management deems Elafin to be one of the most prospective substances in the treatment of serious tissue and muscle damage. Independently conducted animal experiments have indicated that Elafin may have benefits in the treatment of tissue and muscle damage caused by insufficient oxygen supply and therefore may be useful in the treatment of heart attacks, serious injuries and in the course of organ transplants. Other applications have yet to be determined.

The Company intends to implement Elafin as a drug in the treatment of inflammatory diseases, and plans to seek governmental approval in Europe first. Currently, management estimates that it will take at least two years to achieve its first governmental approval for the use of Elafin as a drug for the first indication.

The Company's success will depend on its ability to prove that Elafin is well tolerated by humans and its efficacy in the indicated treatment. There can be no assurance that the Company will be able to develop feasible production procedures in accordance with Good Manufacturing Practices ("GMP") standards, or that Elafin will receive any governmental approval for its use as a drug in any of the intended applications.

After developing a production procedure for Elafin, Proteo has initiated clinical trials to achieve governmental approval for the use of Elafin as a drug in Europe. For this purpose, Proteo has contracted Eurogentec, an experienced Contract Manufacturing Organization (“CMO”) located in Belgium to produce Elafin in accordance with GMP standards as required for clinical trials.

The excellent tolerability of Elafin in human subjects was demonstrated in a Phase I clinical single dose escalating study. The results of a Phase II clinical trial with Elafin for the treatment of esophagus carcinoma are currently being evaluated. The aim of this trial is to investigate the effectiveness of Elafin at suppressing the postoperative inflammatory processes. Proteo has obtained Orphan drug designations within the European Union for the use of Elafin in treatment of pulmonary arterial hypertension and for the treatment of esophagus carcinoma. Orphan drug status assures exclusive marketing rights for the treatment of the respective disease within the EU for a period of up to ten years after receiving market approval. In addition, a simplified, accelerated and less expensive approval procedure with the assistance of EMEA can be drawn upon. Classification as an orphan drug allows an accelerated approval procedure in all EU states.

In August 2007, the Company's subsidiary entered into an agreement with Minapharm, one of the leading pharmaceutical companies in Egypt, for clinical development, production and marketing of Elafin. The Company has granted Minapharm the right to exclusively market Elafin in Egypt and certain Middle Eastern and African countries. Proteo received an upfront payment in 2007 and has deferred additional amounts received, and will receive milestone-payments and royalties on net product sales. In addition, Minapharm will take over the funding of clinical research activities for the designated region. The University of Cairo will conduct a clinical trial to study the efficacy of Elafin on kidney transplant patients. The clinical trial has already been approved by the Ethical Committee of the University of Cairo. The study will be conducted as a Phase II trial for prevention of acute and chronic allograft nephropathy, which is a devastating complication of kidney transplantation that is responsible for a significant portion of graft loss.

In January 2008 the Company entered into an agreement with Stanford University in California, to cooperate in preclinical studies related to Elafin treatment of pulmonary arterial hypertension. Proteo provides support for animal experiments that are currently conducted by Marlene Rabinovitch, Research Director of the Vera Moulton Wall Center for Pulmonary Vascular Disease at Stanford University who is a renowned expert in the field, and her group at the university. In May 2010 scientists from this group presented new preclinical data on Proteo's drug substance Elafin at the Annual International Conference of the American Thoracic Society in New Orleans. The data show that the treatment with Elafin during mechanical ventilation largely prevented the inflammation in lungs of newborn mice.

In August 2008 the Company's subsidiary received the approval for a Phase II clinical trial with Elafin by the German Federal Institute for Drugs and Medical Devices (BfArM). In this randomized, blinded, placebo-controlled Phase II trial the effect of Elafin on inflammatory parameters will be investigated in patients undergoing esophagectomy for esophagus carcinoma. The trial will be performed at the Department of General and Thoracic Surgery, University Medical Center Schleswig-Holstein, Campus Kiel. Patient recruitment was started in November 2008. The trial conduct was initially planned for one year. In the summer of 2009 it became apparent that the clinical trial center could not recruit a sufficient numbers of patients to meet the planning. Thus, the Company has extended the monocentric trial to a multicentric trial. In December 2009 all regulatory approvals were obtained to expand the trial. Two additional trial centers started recruiting patients and the recruitment and treatment was completed in April 2010. The results of this clinical trial are currently being evaluated and the final results are expected in the second half of the year 2010.

In May 2009 the Company has submitted an application for Orphan Medicinal Product Designation to the EMEA (the European FDA equivalent). Subsequent to November 5, 2009, the Committee for Orphan Medical Products of the EMEA issued a positive opinion recommending the granting of orphan medicinal product designation for recombinant human elafin for treatment of esophagus carcinoma. On January 28, 2010 the orphan designation was granted by the European Commission.

In September 2009 the Company’s subsidiary has signed a Memorandum of Understanding with the University of Edinburgh. Within the framework of collaboration, it is intended to investigate the effect of Elafin on the damage and inflammation of cardiac muscle after coronary bypass operations in a Phase II clinical trial at the University of Edinburgh. The trial, which will be headed by Dr. Peter Henriksen a leading expert in interventional cardiology at the Edinburgh Heart Centre, is planned to begin in December 2010.

In April 2010 the Company’s subsidiary entered into an agreement with the Molecular Imaging North Competence Center (MOIN CC) at the Christian-Albrechts University of Kiel. Under this agreement the effects of Elafin on vascular changes will be examined in animal models.

In June 2010 the Company signed a cooperative research and development agreement with the US Army Medical Research Institute of Infectious Diseases (USAMRIID) for Elafin. This agreement allows USAMRIID to use Proteo's Elafin and related scientific data in order to plan and conduct preclinical research on the development of new therapeutic strategies to combat life-threatening infectious diseases, in an investigation into the use of Elafin as a co-therapy with antibiotics.

The Company's goal is to obtain the first governmental regulatory approval for the first indication of the initial product in 2012. It should be noted that the first indication, if successfully developed, would have a market potential substantially smaller than the overall market of Elafin for more widespread applications such as for the treatment of cardiac infarction.

RESULTS OF OPERATIONS

OPERATING EXPENSES

The Company's operating expenses for the three-month and six-month periods ended June 30, 2010 were approximately $238,000 and $409,000, resectively, a decrease of approximately $42,000 and $51,000 over the respective periods of the prior year. This decrease is due primarily to a decrease in general and administrative expenses (mostly professional and legal fees), partially offset by a slight increase in research and development expenses.

INTEREST AND OTHER INCOME (EXPENSE)

Net interest and other income (expense) for the three-month and six-month periods ended June 30, 2010 was approximately $158,000 and $214,000, respectively, compared to $36,000 and $93,000 for the respective periods in 2009, a net change of approximately $122,000 and $121,000 over the prior year three-month and six-month periods, respectively. The increases are driven primarily by foreign currency transaction gains in 2010 caused by the strengthening of the U.S. Dollar compared to the Euro.

INCOME TAXES

There is no material income tax expense recorded for the periods ended June 30, 2010 and 2009, due to the Company's net losses. As of June 30, 2010, the Company has a deferred tax asset and an equal amount of valuation allowance of approximately $1,736,000, relating primarily to federal and foreign net operating loss carryforwards of approximately $439,000 and $1,075,000, respectively, and timing differences related to the recognition of accrued licensing fees of approximately $221,000.

The Company has federal and foreign net operating loss carry forwards approximating $1,293,000 and $4,299,000, respectively at June 30, 2010, which are expected to begin expiring in 2025 for federal purpose and for foreign purpose it has an indefinite life. In the event the Company were to experience a greater than 50% change in ownership, as defined in Section 382 of the Internal Revenue Code, the utilization of the Company's tax NOLs could be severely restricted.

FOREIGN CURRENCY TRANSLATION ADJUSTMENTS

The Company experienced a net gain/(loss) of approximately $(252,000) and $29,000 in foreign currency translation adjustments during the six-month periods ended June 30, 2010 and 2009, respectively. The changes are primarily due to a fluctuating U.S. Dollar (our reporting currency) compared to the Euro (our functional currency) during the periods.

LIQUIDITY AND CAPITAL RESOURCES

Since our inception we have raised a total of (i) approximately $4,983,000 from the sale of 20,065,428 shares of our common stock, of which 6,585,487 shares, 300,000 shares and 1,500,000 shares have been sold at $0.40 per share, $0.84 per share and $0.60 per share, respectively, under stock subscription agreements in the amount of approximately $2,035,000, $252,000 and $900,000, respectively, and (ii) $1,829,000 from the sale of 600,000 shares of the Company's non-voting Series A Preferred Stock. The balance of the purchase price for the Series A Preferred Stock is evidenced by a promissory note which, as of June 30, 2010, had a principal balance of $1,595,000. See Note 2 to the condensed consolidated financial statements included elsewhere herein for the payment terms under the promissory note.

The Company has cash approximating $336,000 as of June 30, 2010 to support current and future operations. This is a decrease of $353,000 over the December 31, 2009 cash balance of approximately $689,000.

Management believes that the Company will not generate any significant revenues in the next few years, nor will it have sufficient cash to fund future operations. As a result, the Company's success will largely depend on its ability to generate revenues from out-licensing activities, secure additional funding through the sale of its common stock, preferred stock and/or debt securities. There can be no assurance, however, that the Company will be able to generate revenues from out-licensing activities and/or to consummate a debt or equity financing in a timely manner, or on terms favorable to the Company, if at all.

GOING CONCERN

The Company's independent registered public accounting firm stated in their Auditors’ Report included in the Company’s Form 10-K for the year ended December 31, 2009 dated March 26, 2010, that the Company will require a significant amount of additional capital to advance the Company's products to the point where they may become commercially viable and has incurred significant losses since inception. These conditions, among others, raise substantial doubt about the Company's ability to continue as a going concern. Therefore, the Company will be required to seek additional funds to finance its long-term operations. The successful outcome of future activities cannot be determined at this time and there is no assurance that if achieved, the Company will have sufficient funds to execute its intended business plan or generate positive operating results.

OFF BALANCE SHEET ARRANGEMENTS

The Company does not currently have any off balance sheet arrangements.

CAPITAL EXPENDITURES

None significant.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

A smaller reporting company ("SRC") is not required to provide any information in response to Item 305 of Regulation S-K.

ITEM 4T. CONTROLS AND PROCEDURES

a) Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) that are designed to ensure that information required to be disclosed in Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including to Birge Bargmann our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

As required by Rule 13a-15 under the Exchange Act, our management, including Birge Bargmann our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of June 30, 2010. Based on that evaluation, Ms. Bargmann concluded that as of June 30, 2010, and as of the date that the evaluation of the effectiveness of our disclosure controls and procedures was completed, our disclosure controls and procedures were effective.

b) Changes in Internal Control Over Financial Reporting

Our management, with the participation of the Chief Executive Officer and Chief Financial Officer, has concluded there were no significant changes in our internal controls over financial reporting that occurred 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.

None.

ITEM 1A. RISK FACTORS

Not required for SRCs.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

None.

ITEM 4. [REMOVED AND RESERVED]

ITEM 5. OTHER INFORMATION.

None.

ITEM 6. EXHIBITS.

Exhibits:

31.1	Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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.

PROTEO, INC.

Dated: August 6, 2010

By: /s/ Birge Bargmann

Birge Bargmann
Principal Executive Officer and Chief Financial Officer
(signed both as an Officer duly authorized to sign on behalf of the Registrant and Principal Financial Officer and Chief Accounting Officer)

EXHIBIT 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Birge Bargmann, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Proteo, Inc. (the "registrant");

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

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

4. I am 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 my supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to me 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 my 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 my 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 that has materially affected, or is reasonably likely to affect, the registrant's internal control over financial reporting, and;

5. I have disclosed, based on my most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the 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 control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

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

Date: August 6, 2010

By: /s/ Birge Bargmann
Birge Bargmann
Chief Executive Officer (Principal Executive Officer)

EXHIBIT 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Birge Bargmann, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Proteo, Inc. (the "registrant");

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

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

4. I am 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 my supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to me 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 my 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 my 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 that has materially affected, or is reasonably likely to affect, the registrant's internal control over financial reporting; and;

5. I have disclosed, based on my most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the 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 control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

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

Date: August 6, 2010

By: /s/ Birge Bargmann
Birge Bargmann
Chief Financial Officer (Principal Accounting Officer)

EXHIBIT 32

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 of Proteo, Inc., a Nevada corporation (the "Company"), on Form 10-Q for the quarter ended June 30, 2010, as filed with the Securities and Exchange Commission (the "Report"), Birge Bargmann, Chief Executive Officer and Chief Financial Officer, does hereby certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. ss. 1350), that to her 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: August 6, 2010

/s/ Birge Bargmann

Birge Bargmann
CHIEF EXECUTIVE OFFICER AND
CHIEF FINANCIAL OFFICER

A SIGNED ORIGINAL OF THIS WRITTEN STATEMENT REQUIRED BY SECTION 906, OR OTHER DOCUMENT AUTHENTICATING, ACKNOWLEDGING, OR OTHERWISE ADOPTING THE SIGNATURE THAT APPEARS IN TYPED FORM WITHIN THE ELECTRONIC VERSION OF THIS WRITTEN STATEMENT REQUIRED BY SECTION 906, HAS BEEN PROVIDED TO PROTEO, INC. AND SUBSIDIARY AND WILL BE RETAINED BY PROTEO, INC. AND SUBSIDIARY AND FURNISHED TO THE SECURITIES AND EXCHANGE COMMISSION OR ITS STAFF UPON REQUEST.

THIS CERTIFICATION IS BEING FURNISHED PURSUANT TO RULE 15(d) AND SHALL NOT BE DEEMED "FILED" FOR PURPOSES OF SECTION 18 OF THE EXCHANGE ACT (15 U.S.C. 78r), OR OTHERWISE SUBJECT TO THE LIABILITY OF THAT SECTION. THIS CERTIFICATION SHALL NOT BE INCORPORATED BY REFERENCE INTO ANY FILING UNDER THE SECURITIES ACT OR EXCHANGE ACT, EXCEPT TO THE EXTENT THAT THE COMPANY SPECIFICALLY INCORPORATES IT BY REFERENCE.