

Patient Safety Technologies, Inc
Form 10-Q
November 17, 2009

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

FORM 10-Q

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

For the quarterly period ended September 30, 2009

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 001-09727

PATIENT SAFETY TECHNOLOGIES, INC.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

13-3419202
(I.R.S. Employer
Identification No.)

43460 Ridge Park Drive, Suite 140, Temecula, CA 92590
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (951) 587-6201

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

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Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§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

Smaller reporting company

(Do not check if smaller reporting company)

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

There were 23,456,188 shares of the registrant's common stock outstanding as of November 16, 2009.

PATIENT SAFETY TECHNOLOGIES, INC.

TABLE OF CONTENTS

	Page
PART I – FINANCIAL INFORMATION	
Item 1. Financial Statements.	3
Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations.	21
Item 3. Quantitative and Qualitative Disclosures About Market Risk.	32
Item 4T. Controls and Procedures.	32
PART II – OTHER INFORMATION	
Item 1. Legal Proceedings.	34
Item 1A. Risk Factors.	34
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.	34
Item 3. Defaults Upon Senior Securities.	35
Item 4. Submission of Matters to a Vote of Security Holders.	35
Item 5. Other Information.	36
Item 6. Exhibits.	36
SIGNATURES	37

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Some of the statements in this report are forward-looking statements. You can sometimes identify forward-looking statements by our use of forward-looking words like “may,” “should,” “expects,” “intends,” “plans,” “anticipates,” “believes,” “estimates,” “predicts,” “potential,” or “continue” or the negative of these terms and other similar expressions.

Although we believe that the plans and expectations reflected in or suggested by our forward-looking statements are reasonable, those statements are based only on the current beliefs and assumptions of our management and on information currently available to us and, therefore, they involve uncertainties and risks as to what may happen in the future. Accordingly, we cannot guarantee that our plans and expectations will be achieved. Our actual results could differ from those expressed in or implied by any forward-looking statement in this report as a result of many known and unknown factors, many of which are beyond our ability to predict or control. These factors include, but are not limited to, those described under the caption “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2008 filed with the Securities and Exchange Commission (the “SEC”) on April 16, 2009, as amended on May 1, 2009 and further amended on July 13, 2009 (the “Form 10-K”), including without limitation the following:

- the early stage of adoption of our Safety-Sponge System™ and the unpredictability of our sales cycle;
 - our need for additional financing to support our business;
 - any failure of our new management team to operate effectively;
- our reliance on third-party manufacturers, some of whom are sole-source suppliers; and
 - any inability to successfully defend our intellectual property portfolio.

All written and oral forward-looking statements attributable to us are expressly qualified in their entirety by these cautionary statements.

Our forward-looking statements speak only as of the date they are made and should not be relied upon as representing our plans and expectations as of any subsequent date. Although we may elect to update or revise forward-looking statements at some time in the future, we specifically disclaim any obligation to do so, even if our plans and expectations change.

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

PATIENT SAFETY TECHNOLOGIES, INC. AND SUBSIDIARY
Condensed Consolidated Balance Sheets
(In thousands, except par value)

	September 30, 2009 (unaudited)	December 31, 2009
Assets		
Current assets:		
Cash and cash equivalents	\$ 779	\$ 296
Accounts receivable	186	418
Inventories, net	730	200
Prepaid expenses	198	188
Total current assets	1,893	1,102
Restricted certificate of deposit	94	94
Notes receivable	121	121
Property and equipment, net	466	622
Goodwill	1,832	1,832
Patents, net	3,195	3,439
Long-term investment	667	667
Other assets	29	37
Total assets	\$ 8,297	\$ 7,914
Liabilities and Stockholders' (Deficit) Equity		
Current liabilities		
Accounts payable	\$ 1,806	\$ 909
Current portion of convertible debentures	1,425	1,425
Current portion of notes payable	600	1,100
Warrant derivative liability	2,399	1,762
Accrued liabilities	1,360	1,596
Total current liabilities	7,590	6,792
Long-term convertible debentures, less current portion	55	51
Long-term notes payable, less current portion	1,600	–
Deferred tax liability	945	1,042
Total liabilities	10,190	7,885
Stockholders' (deficit) equity:		
Convertible preferred stock, \$1.00 par value, cumulative 7% dividend: 1,000 shares authorized; 11 issued and outstanding at September 30, 2009 and December 31, 2008; (Liquidation preference of \$1.2 million at September 30, 2009 and December 31, 2008	11	11
Common stock, \$0.33 par value: 100,000 and 25,000 shares authorized; 23,409 and 17,180 shares issued and outstanding at September 30, 2009 and December 31, 2008 respectively;	7,725	5,675

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Additional paid-in capital	43,702	36,034
Accumulated deficit	(53,331)	(41,691)
Total stockholders' (deficit) equity	(1,893)	29
Total liabilities and stockholders' equity	\$ 8,297	\$ 7,914

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

PATIENT SAFETY TECHNOLOGIES, INC. AND SUBSIDIARY
 Condensed Consolidated Statements of Operations
 (In thousands, except per share data)
 (unaudited)

	For the Quarter Ending		For the Nine Months	
	September 30,		Ending	
	2009	2008	2009	2008
Revenues	\$ 978	\$ 880	\$ 2,942	\$ 1,937
Cost of revenue	540	622	1,708	1,342
Gross profit	438	258	1,234	595
Operating expenses:				