

PureSafe Water Systems, Inc.
Form 10-Q
August 20, 2012

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 June 30, 2012

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

Commission File Number: 001-09478

PureSafe Water Systems, Inc.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

86-0515678
(I.R.S. Employer Identification No.)

160 Dupont Street, Plainview, New York
(Address of principal executive offices)

11803
(Zip Code)

(516) 208-8250
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) 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 such filing requirements for the past 90 days. Yes No

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

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>

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

Yes No

State the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date. As of August 12, 2012, 366,940,231 shares of the common stock of the registrant were issued and 366,935,831 were outstanding.

PURES SAFE WATER SYSTEMS, INC.

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PART I — FINANCIAL INFORMATION

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS.

Certain information and footnote disclosures required under accounting principles generally accepted in the United States of America have been condensed or omitted from the following consolidated financial statements pursuant to the rules and regulations of the Securities and Exchange Commission. The following unaudited consolidated financial statements should be read in conjunction with the year-end restated consolidated financial statements and notes thereto included in the Company's Form 10-K for the year ended December 31, 2011.

The results of operations for the three and six months ended June 30, 2012 and 2011 are not necessarily indicative of the results for the entire fiscal year or for any other period.

PureSafe Water Systems Inc. and Subsidiary
Condensed Consolidated Balance Sheets
(Unaudited)

	June 30, 2012	December 31, 2011
ASSETS		
Current Assets:		
Cash	\$88,007	\$118,228
Inventories	347,062	468,093
Prepaid expenses and other current assets	52,936	56,674
Total Current Assets	488,005	642,995
Property and equipment, net of accumulated depreciation of \$123,372 and \$151,710, respectively	90,352	136,718
Patents and trademarks, net of accumulated amortization of \$38,864 and \$29,608, respectively	61,120	64,172
Other assets	134,107	58,560
TOTAL ASSETS	\$773,584	\$902,445

LIABILITIES AND STOCKHOLDERS' DEFICIENCY

Current Liabilities:		
Accounts payable and accrued expenses	\$508,933	\$582,446
Accrued compensation	525,245	402,249
Deferred rent payable	7,050	32,800
Accrued consulting and director fees	144,000	144,000
Customer deposits	401,768	130,000
Convertible notes payable to officer and director (including accrued interest of \$105,435 and \$83,932 and net of debt discount of \$0 and \$12,623 respectively)	771,435	743,309
Convertible promissory note (including accrued interest of \$130,598 and \$83,929 and net of debt discount of \$221,920 and \$39,923, respectively)	1,467,449	989,006
Promissory notes payable (including accrued interest of \$200,374 and \$190,521, respectively)	511,367	838,265
Fair value of detachable warrants and conversion option	484,200	515,200
Accrued dividends payable	190,328	190,328
Total Current Liabilities	5,011,775	4,567,603
Long Term Liabilities:		
Promissory notes payable, net of current portion	11,464	15,200
Total Long Term Liabilities	11,464	15,200
TOTAL LIABILITIES	\$5,023,239	\$4,582,803

Commitments and Contingencies

Stockholders' Deficiency:

Preferred stock \$.001 par value; 10,000,000 shares authorized; 184,144 shares issued and outstanding (liquidation preference \$2,863,000 and \$2,808,850, as of June 30,	184	184
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2012 and December 31, 2011, respectively)

Common stock, \$.001 par value; 450,000,000 authorized; 348,707,239 shares issued and 348,702,839 shares outstanding at June 30, 2012; 340,389,004 shares issued and 340,384,604 outstanding at December 31, 2011	348,706	340,388
Additional paid-in capital	39,106,480	38,667,448
Treasury Stock, at cost, 4,400 shares of common stock	(5,768)	(5,768)
Subscriptions receivable (including accrued interest of \$83,625 and \$73,538, respectively)	(420,825)	(410,738)
Accumulated deficit	(43,278,432)	(42,271,872)
Total Stockholders' Deficiency	(4,249,655)	(3,680,358)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIENCY	\$773,584	\$902,445

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

PureSafe Water Systems Inc. and Subsidiary
Consolidated Statements of Operations
(Unaudited)

	Three Months Ended June 30		Six Months Ended June 30	
	2012	2011	2012	2011
Sales	\$--	--	\$265,000	\$--
Cost of Sales	85,659	--	282,718	--
Gross Profit (Loss)	(85,659)	--	(17,718)	--
Operating Expenses:				
Compensation and related benefits, including stock-based compensation of \$50,400 and \$103,750 for the three months and \$241,900 and \$754,825 for the six months ended June 30, 2012 and 2011, respectively	207,534	243,493	564,044	1,031,354
Insurance and medical benefits	20,191	36,969	43,849	36,942
Research and development	22,725	36,661	58,239	83,340
Professional, legal and consulting fees, including stock-based compensation of \$0 and \$0 for the three months and \$4,500 and \$0 for the six months ended June 30, 2012 and 2011, respectively	63,512	59,235	110,098	131,713
Marketing, including stock-based compensation of \$0 and \$0 for the three months and \$6,400 and \$0 for the six months ended June 30, 2012 and 2011, respectively	6,175	(3,536)	13,654	89,452
Occupancy	70,210	53,125	139,632	96,693
Loss on abandonment of property	--	--	34,708	--
Other administrative and general	73,978	108,297	135,973	288,393
Total Operating Expenses	464,325	534,244	1,100,197	1,757,887
Loss from Operations	(549,984)	(534,244)	(1,117,915)	(1,757,887)
Other Income (Expense):				
Interest income	5,044	5,044	10,088	10,182
	(165,455)	(128,451)	(296,633)	(241,287)

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Interest expense, including interest to related parties of \$17,729 and \$16,393 for the three months and \$35,225 and \$31,238 for six months ended June 30, 2012 and 2011, respectively

Change in fair value of derivative liability	153,400	--	397,900	--
Total Other Income (Expense)	(7,011)	(123,407)	111,355	(231,105)
Net Loss	(556,955)	(657,651)	(1,006,560)	(1,988,992)
Dividend on preferred stock	(27,075)	(27,075)	(54,150)	(54,150)
Net Loss Attributable to Common Stockholders'	(584,070)	(684,922)	\$(1,060,710)	\$(2,043,299)
Net Loss Attributable to Common Stockholders Per Share basic and diluted	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.00)
Weighted average number of shares outstanding	346,412,336	329,989,570	345,762,812	326,751,778

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

PureSafe Water Systems, Inc. and Subsidiary
Condensed Consolidated Statement of Stockholders' Deficiency
For the Six Months ended June 30, 2012
(Unaudited)

Preferred Stock	Common Stock	Paid-In	Additional Treasury Stock	Subscription Accumulated	Total
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