

Patient Safety Technologies, Inc  
Form 10-Q  
May 20, 2008

**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 MARCH 31, 2008

**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 Number)

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

**Registrant's telephone number, including areacode: (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 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 is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "accelerated filer," "large accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company   
(Do not check if a 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 Act. Yes  No .

There were 12,159,602 shares of the registrant's common stock outstanding as of May 15, 2008.

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**PATIENT SAFETY TECHNOLOGIES, INC.**

**FORM 10-Q FOR THE QUARTER  
ENDED MARCH 31, 2008**

**TABLE OF CONTENTS**

	<b>Page</b>
<b>PART I – FINANCIAL INFORMATION</b>	
Item 1.	1
Item 2.	14
Item 3.	22
Item 4T.	22
<b>PART II – OTHER INFORMATION</b>	
Item 1.	23
Item 1A.	23
Item 2.	23
Item 3.	23
Item 4.	24
Item 5.	24
Item 6.	24
<b>SIGNATURES</b>	<b>25</b>

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**"SAFE HARBOR" STATEMENT UNDER  
THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995**

We believe that it is important to communicate our plans and expectations about the future to our stockholders and to the public. Some of the statements in this report are forward-looking statements about our plans and expectations of what may happen in the future, including in particular the statements about our plans and expectations in Part I of this report under the heading "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations." Statements that are not historical facts are forward-looking statements. These forward-looking statements are made pursuant to the "safe-harbor" provisions of the Private Securities Litigation Reform Act of 1995. 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 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 you that our plans and expectations will be achieved. Our actual results and stockholder values could be very different from and worse than 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 contained in Part II of this report under "Item 1A. Risk Factors." 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.

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**PART I – FINANCIAL INFORMATION****Item 1. Financial Statements.****PATIENT SAFETY TECHNOLOGIES, INC. AND SUBSIDIARY****Consolidated Balance Sheets (Unaudited)**

	<b>March 31, 2008</b>	<b>December 31, 2007</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 155,828	\$ 405,413
Accounts receivable	149,592	71,840
Prepaid expenses	71,481	104,723
<b>TOTAL CURRENT ASSETS</b>	<b>376,901</b>	<b>581,976</b>
Restricted certificate of deposit	87,500	87,500
Notes receivable	153,545	153,545
Property and equipment, net	695,540	663,391
Assets held for sale, net	90,000	405,986
Goodwill	1,832,027	1,832,027
Patents, net	3,682,673	3,763,908
Long-term investment	666,667	666,667
Other assets	19,174	19,174
<b>TOTAL ASSETS</b>	<b>\$ 7,604,027</b>	<b>\$ 8,174,174</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Notes payable, current portion	\$ 1,571,082	\$ 1,172,380
Accounts payable	1,022,620	708,593
Accrued liabilities	622,612	520,749
<b>TOTAL CURRENT LIABILITIES</b>	<b>3,216,314</b>	<b>2,401,722</b>
Notes payable, less current portion	2,530,558	2,530,558
Deferred tax liabilities	1,466,969	1,499,329
<b>COMMITMENTS AND CONTINGENCIES (Note 13)</b>		
<b>STOCKHOLDERS' EQUITY</b>		

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Convertible preferred stock, \$1.00 par value, cumulative 7% dividend: 1,000,000 shares authorized; 10,950 issued and outstanding at March 31, 2008 and December 31, 2007 (Liquidation preference of \$1,229,138 at March 31, 2008 and December 31, 2007	10,950	10,950
Common stock, \$0.33 par value: 25,000,000 shares authorized; 12,079,602 shares issued and outstanding at March 31, 2008; 12,054,602 shares issued and outstanding at December 31, 2007	3,986,269	3,978,019
Additional paid-in capital	34,547,139	34,320,134
Accumulated deficit	(38,154,172)	(36,566,538)
<b>TOTAL STOCKHOLDERS' EQUITY</b>	<b>390,186</b>	<b>1,742,565</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 7,604,027</b>	<b>\$ 8,174,174</b>

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

**PATIENT SAFETY TECHNOLOGIES, INC. AND SUBSIDIARY**

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**Consolidated Statements of Operations (Unaudited)**

	<b>For The Three Months Ended March 31,</b>	
	<b>2008</b>	<b>2007</b>
<b>REVENUES</b>	\$ 500,159	\$ 307,158
<b>COST OF SALES</b>	393,291	214,210
<b>Gross margin</b>	106,868	92,948
<b>OPERATING EXPENSES</b>		
Salaries and employee benefits	649,016	524,339
Professional fees	333,235	312,640
Rent	19,262	38,582
Insurance	21,464	16,712
Taxes other than income taxes	102	27,158
Amortization of patents	81,235	