

Patient Safety Technologies, Inc
Form 10-K/A
April 30, 2010

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

FORM 10-K/A
(Amendment No.1)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE FISCAL YEAR ENDED DECEMBER 31, 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.)

5 Caufield Place, Suite 102, Newtown, PA 18940
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (215) 579-7789

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act:

Title of each class
Common Stock, par value \$0.33 per share

Name of each exchange on which registered
OTC Bulletin Board

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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 corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of

Edgar Filing: Patient Safety Technologies, Inc - Form 10-K/A

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, if disclosure of delinquent filers in response to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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 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 Act). Yes No

The aggregate market value of the registrant's common stock held by non-affiliates of the registrant based on the last reported sale price of the common stock as reported on the OTC.BB on June 30, 2009 was approximately \$18.0 million.

The number of outstanding shares of the registrant's common stock, par value \$0.33 per share, as of March 29, 2010 was 23,456,063.

EXPLANATORY NOTE

This Amendment No. 1 to our Annual Report on Form 10-K/A, amends our annual report on Form 10-K for the fiscal year ended December 31, 2009, originally filed with the SEC on March 31, 2010. The purpose of this amendment is to include certain information required by Part III of Form 10-K that was omitted from Part III of the our initial filing because it was to be incorporated by reference to our definitive proxy statement for the 2010 Annual Meeting of Stockholders. Because our proxy statement will not become definitive within 120 days after the end of the fiscal year ended December 31, 2009, the information required by Part III cannot be incorporated by reference and therefore must be filed as an amendment to our annual report on Form 10-K to be included therein. This amendment contains the information that was previously omitted from Part III of our original filing of our annual report on Form 10-K

In addition, in connection with the filing of this amendment and pursuant to the rules of the Securities and Exchange Commission, our Chief Executive Officer and Chief Financial Officer have reissued their certifications. Accordingly, Item 15 has also been amended to reflect the filing of such certifications. Except as described above, no other changes have been made to our annual report on Form 10-K. Our annual report on Form 10-K continues to speak as of the dates described in the annual report on Form 10-K, and we have not updated the disclosures contained therein to reflect any events that occurred subsequent to such dates. Accordingly, this amendment should be read in conjunction with our filings made with the Securities and Exchange Commission subsequent to the filing of our annual report on Form 10-K, as information in such filings may update or supersede certain information contained in this amendment. In this amendment, unless the context indicates otherwise, the terms “we,” “us,” and “our” refer to Patient Safety Technologies, Inc. and our subsidiary.

PATIENT SAFETY TECHNOLOGIES, INC.

FORM 10-K/A FOR THE FISCAL YEAR
ENDED DECEMBER 31, 2009

TABLE OF CONTENTS

| | Page |
|---|------|
| EXPLANATORY NOTE | i |
| PART III | 1 |
| ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE | 1 |
| ITEM 11. EXECUTIVE COMPENSATION | 4 |
| ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS | 9 |
| ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE | 12 |
| ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES | 14 |
| PART IV | 15 |
| ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES | 15 |
| SIGNATURES | 16 |
| EXHIBIT INDEX | 17 |

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Board of Directors

The following table sets out the names, ages and positions of the members of our Board of Directors with our company, including membership on various committees of our Board of Directors. Under the terms of our amended and restated certificate of incorporation, directors are elected on an annual basis. Other than Dr. Bauer and Mr. Hitchcock, all Directors were elected at our 2009 Annual Meeting of Stockholders held on August 6, 2009. Biographical information regarding each of our Directors, including how long they have served in such position and regarding any arrangement or understanding pursuant to which they were nominated to serve on our Board, is included below the table.

| Name | Age | Position |
|---------------------------------|-----|--|
| Howard E. Chase (1)(2)(3)(4) | 73 | Chairman of the Board |
| Eugene A. Bauer (a) | 67 | Director |
| John P. Francis (3) | 44 | Director |
| Louis Glazer, M.D. Ph.G. | 79 | Director |
| William M. Hitchcock (a) | 70 | Director |
| Steven H. Kane (3)(4) | 57 | Directors, President and Chief Executive Officer |
| Herbert Langsam (1) | 79 | Director |
| Wenchen Lin | 54 | Director |
| Loren L. McFarland (1)(2)(3)(4) | 51 | Director |

(a) Dr. Bauer and Mr. Hitchcock were appointed to our Board of Directors on January 26, 2010. They have not yet been appointed to any Board Committees.

- (1) Member of Audit Committee
- (2) Member of Compensation Committee
- (3) Member of Nominating and Corporate Governance Committee
- (4) Member of Executive Committee

Biographical Information

Howard E. Chase, 73, Chairman of the Board. Mr. Chase was appointed to fill an open directorship on June 22, 2009 and was elected Chairman of the Board on January 26, 2010. Since December 2001, he has served as President and Chief Executive Officer of The Hollandbrook Group, LLC, which provides advisory, director and executive services to early stage companies. Mr. Chase served as President and Chief Executive Officer of Carret Holdings, Inc. (formerly Matrix Global Investments, Inc.), a holding company for asset management businesses, from June 1999 until December 2001. Mr. Chase served as President and Chief Executive Officer of Trident Rowan Group, Inc., a U.S. public holding company with interests in certain Italian companies and real estate, from September 1993 to March 1998 and served as Chairman of the Board of TRGI from March 1998 to December 1999. From 1984 to August 1995, Mr. Chase was a partner in the law firm of Morrison Cohen Singer & Weinstein, LLP in New York City. Mr. Chase served on the board of Thoratec Corporation from 1986 until May 2009. Mr. Chase currently sits on the board of the Music Academy of the West, a Santa Barbara, California non-profit organization. Mr. Chase earned his bachelor's degree from Harvard University and his law degree from Harvard Law School.

Eugene A. Bauer, MD, 67, Director. Dr. Bauer was appointed to fill an open directorship on January 26, 2010. Dr. Bauer is President & Chief Medical Officer and immediate past member (2006-2009) of the Board of Directors of Peplin, Inc., a dermatology company that was, until recently, traded on the ASX in Australia. In the fall of 2009 Peplin was acquired by LEO Pharma of Denmark and is now privately held. Since February 2010, Dr. Bauer has been serving on the board of Vyteris (OTCBB: VYTR.OB). From 2004-2008, he served in the board of directors of Echo Healthcare Acquisition Corp., now called Pet DRx Corporation (Nasdaq: VETS; VETSW; VETSU). From 2004 to 2008 Dr. Bauer was Chief Executive Officer and board member of Neosil Inc., a privately held biotechnology company that was acquired by Peplin in 2008. Dr. Bauer serves on the Board of Medgenics, Inc., (LSE/AIM: MEDG) and from 2004-2008 served as a Director of Modigene, Inc. (now Prolor: PBTH), and from 2005-2009 served as a Director of Protalex, Inc. (OTC.BB: PRTX.OB). From 2002 to 2004 Dr. Bauer was a Senior Client Partner with Korn/ Ferry International. Dr. Bauer served as Vice President for the Stanford University Medical Center from 1997 to 2001, and as Dean of the Stanford University School of Medicine from 1995 through 2001. Dr. Bauer was a founder of Connetics Corp. and served as an Emeritus Director of Connetics until its sale to Stiefel Laboratories in 2006. Since 1988 he has been Professor, Department of Dermatology, Stanford University School of Medicine, and was Chief of the Dermatology Service at Stanford University Hospital from 1988 to 1995. From 1982 to 1988, he was a professor at Washington University School of Medicine. Dr. Bauer has served as Chairman of two National Institutes of Health study sections of the National Institute of Arthritis and Musculoskeletal and Skin Diseases and has served on a board of scientific counselors for the National Cancer Institute. Dr. Bauer is a former director of several professional societies, including the American Dermatological Association and the Society of Investigative Dermatology, both non-profit organizations. Dr. Bauer holds B.S. and M.D. degrees from Northwestern University.

John P. Francis, 44, Director. Mr. Francis was appointed to fill an open directorship on November 26, 2007, in accordance with the terms of a Securities Purchase Agreement dated October 17, 2007 by and between our company and Francis Capital Management, LLC. Mr. Francis has served as Managing Member of Francis Capital Management, LLC, an investment management firm specializing in small capitalization equities, since 2000. Mr. Francis has over eighteen years of experience in investment management, finance and accounting. Mr. Francis earned his bachelor's degree in economics and MBA from the Anderson School of Business at the University of California, Los Angeles.

Louis Glazer, M.D. Ph.G., 79, Director. Dr. Glazer was first elected to the Board on October 22, 2004. From 2004 to 2006, Dr. Glazer served in various positions at our company, including Chairman of the Board, Chief Executive Officer, Vice-Chairman and Chief Health and Science Officer, overseeing the development of our Safety-Sponge™ System. Until 2002, Dr. Glazer served as the chief anesthesiologist and medical director for the Vitreo-Retinal Clinic in Memphis, Tennessee for over 25 years. Prior to that, Dr. Glazer taught obstetrics anesthesia at the University of Tennessee, while practicing anesthesiology at numerous hospitals in Memphis, Tennessee. Dr. Glazer received his B.S. in pharmacy from the University of Oklahoma and his M.D. from the University of Bologna School of Medicine in Italy. He presently serves on the Executive Council of the Center for Patient Safety Research and Practice at Harvard Medical School and the Brigham and Women's Hospital in Boston, MA.

William M. Hitchcock, 70, Director. Mr. Hitchcock was appointed to fill an open directorship on January 26, 2010. Mr. Hitchcock is president of Pembroke Capital LLC, a private investment partnership. He was a co-founder of Plains Resources Inc. and Chairman from 1981-1992. Mr. Hitchcock remained on the board until 2004. Mr. Hitchcock has served on a number of public company boards, including Thoratec Corp, Maxx Petroleum, Ausam Energy Corp., International Colin Energy, and Oshman's Inc. Additionally, Mr. Hitchcock serves on a number of private company boards as well. Earlier in his career, he worked for Lazard Bros., London, Delafield and Delafield and Lehman Bros. in New York City. Currently, Mr. Hitchcock serves on a number of charitable boards, The Texas Heart Institute, The Houston Grand Opera, The Houston Grand Opera Endowment, The Margaret M. Hitchcock Foundation, and the Hitchcock Woods Foundation.

Steven H. Kane, 57, Director, President and Chief Executive Officer. Mr. Kane was appointed to fill an open directorship on February 7, 2008 and has served as a Director since that time including as Chairman from February 2008 to January 26, 2010. Mr. Kane has served as our President and Chief Executive Officer since May 2009. Mr. Kane's employment agreement requires his nomination to our Board of Directors. Before joining our company, Mr. Kane was the President, Chief Executive Officer and Director of Protalex, Inc. (OTCBB: PRTX.OB) from 2002 to 2009 and has over 30 years experience in the health care industry. From April 1997 to August 2000, Mr. Kane served as Vice President of North American Sales & Field Operations for Aspect Medical. While at Aspect, he helped guide the company to a successful initial public offering in January 2000. Prior to Aspect, Mr. Kane was Eastern Area Vice President for Pyxis Corporation, where he was instrumental in positioning the company for its successful initial public offering in 1992. Pyxis later was acquired by Cardinal Health for \$1 billion. Prior to that, Mr. Kane worked in sales management with Eli-Lilly and Becton Dickinson.

Herbert Langsam, 79, Director. Mr. Langsam was first elected to the Board on October 22, 2004. Since 1999, Mr. Langsam has also served as president of Medicare Recoveries, Inc., a private company located in Oklahoma City, Oklahoma, focused on providing Medicare claims and recovery services. Mr. Langsam serves as a member of the board of trustees for the Geriatric Research Drug Therapy Institute and as an adjunct professor at the University of Oklahoma Pharmacy School. Previously, Mr. Langsam was the founder, president and chief executive officer of Langsam Health Services, a conglomerate of health care companies that serviced 17,000 long-term care residents, which was acquired by Omnicare, Inc. in 1991. Mr. Langsam also served as the vice president of pharmacy services for Omnicare, Inc. following its acquisition of Langsam Health Services. Mr. Langsam received his B.S. in pharmacy from the University of Oklahoma.

Wenchen Lin, 54, Director. Mr. Lin was appointed to fill an open directorship on March 28, 2007, in accordance with the terms of a Subscription Agreement dated January 29, 2007 by and between our company and A Plus International Inc. Mr. Lin has almost twenty years experience as the President and founder of A Plus, a manufacturer producing a variety of surgical dressings, film and plastic products and servicing the custom procedural tray industry on cotton textile products. Mr. Lin began his career serving in executive positions in large trade and shipping companies, such as Trade Diversified, Inc. and Brother Trucking Co. and has substantial knowledge and experience in overseas factories, trade, transport and distribution. Mr. Lin received his MBA from Ohio University and his accounting degree from Taiwan Suzhou University.

Loren L. McFarland, 51, Director. Mr. McFarland was appointed to fill an open directorship on June 22, 2009. He is currently an independent consultant providing financial advisory services to start-ups in the medical device industry. He served as Chief Financial Officer and Treasurer of Mentor Corporation, a NYSE listed medical device company from May 2004 to November 2007. From 1985 to 2004 he filled various financial positions at Mentor including Vice President of Finance and Corporate Controller from 2001 to May 2004, Controller from 1989 to 2001, Assistant Controller from 1987 to 1989 and General Accounting Manager from 1985 to 1987. Prior to his employment with Mentor, Mr. McFarland was employed by Touche Ross and Co., a public accounting firm, as a Certified Public Accountant and auditor from 1981 to 1985. Mr. McFarland earned his bachelor's degree in Business Administration and Accounting from the University of North Dakota and a master's degree in Business Administration from the Anderson School at University of California at Los Angeles in 1999. Mr. McFarland completed the ISS Director Certification Program at UCLA in the fall of 2008.

Executive Officers

We have two Executive Officers, Steven H. Kane, our President and Chief Executive Officer, and Marc L. Rose, our Vice President of Finance, Chief Financial Officer, Treasurer and Corporate Secretary. The information regarding Mr. Kane is included above. Information regarding Mr. Rose is included in Item 1 of this annual report on Form 10-K and is incorporated in this section by reference.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires our directors and executive officers, and persons who own more than 10% of a registered class of our equity securities, to file with the SEC initial reports of ownership and reports of changes in ownership of our common stock and other equity securities. Officers, directors and greater than 10% stockholders are required by SEC regulation to furnish us with copies of all Section 16(a) forms they file.

To our knowledge, based solely on a review of the copies of such reports furnished to us and written representations that no other reports were required, during the year ended December 31, 2009, all Section 16(a) filing requirements applicable to our executive officers, directors and greater than 10% beneficial owners were complied with, except that:

- Steven H. Kane, our Chief Executive Officer, filed one Form 4 late to report one transaction in our securities as his grant of 2,000,000 options was inadvertently reported on Form 3.
- Wenchen Lin, Director, has not yet filed a Form 3 to report his beneficial ownership of more than 10% of our equity securities purchased by A Plus International Inc. in 2007, and has not yet filed three Form 4s to report one transaction in our securities by A Plus and two transactions in our securities by his children.
- John P. Francis and Francis Capital Management, LLC filed one Form 3 late and filed two Form 4s late to report two transactions in our securities.

- Dr. Bauer filed one Form 4 late to report one transaction in our securities as a filed Form 4 incorrectly stated the exercise price of his stock options.
- Mr. Hitchcock filed one Form 4 late to report one transaction in our securities as a filed Form 4 incorrectly stated the exercise price of his stock options.
- Herbert Langsam, Director, has not yet filed one Form 4 to report the December 2008 grant of 25,000 shares of stock in connection with the extension of maturity of a loan to our company. However, ownership of such shares was reflected in the “total” shares beneficially owned column in subsequent Form 4 filings. In addition, Mr. Langsam has not yet filed an indeterminable amount of Form 4s to report an indeterminable amount of transactions in our securities, which have resulted in his ownership of 53,691 shares of our common stock less than previously reported. To his knowledge, Mr. Langsam did not authorize such transactions in our securities.
- David I. Bruce, our former Chief Executive Officer, did not file one Form 4 to report one transaction in our equity securities (the grant of 2,000,000 stock options, which have since expired in accordance with their terms).
- Mary A. Lay, our former interim Chief Financial Officer, filed one Form 3 late and one Form 4 late to report one transaction in our equity securities (the grant of 85,000 stock options).
- Compass Global Management, Ltd. did not file a Form 3 to report beneficial ownership of more than 10% of our common stock. Since its initial acquisition of our shares, we have issued additional shares of common stock such that, absent rounding, Compass Global Management, Ltd. no longer beneficially owns more than 10% of our common stock.

Code of Business Conduct and Ethics

The information regarding our Code of Business Conduct and Ethics, including information regarding amendments and waivers thereunder, included in Item 1 of this annual report on Form 10-K is incorporated in this section by reference.

Audit Committee Financial Expert

Our Board of Directors has determined the Mr. McFarland is an “audit committee financial expert,” within the meaning of SEC rules.

ITEM 11. EXECUTIVE COMPENSATION

Summary Compensation Table

The following table sets forth compensation paid by us for the years indicated to:

- the individuals who served as our Chief Executive Officer during the year ended December 31, 2009; and
- the individuals who served as our Chief Financial Officer during the year ended December 31, 2009; and
- the former President of our subsidiary, SurgiCount Medical, Inc.

These five individuals are referred to as our “named executive officers.”

| Name and principal position (1) | Year | Salary (\$)(2) | Bonus (\$) | Stock awards (\$) | Warrant and option awards (\$)(3) | Non-qualified deferred compensation | | All other compensation (\$)(5) | Total (\$) |
|---------------------------------|------|----------------|------------|-------------------|-----------------------------------|---|---------------|--------------------------------|------------|
| | | | | | | Non-equity incentive plan compensation (\$) | earnings (\$) | | |

Edgar Filing: Patient Safety Technologies, Inc - Form 10-K/A

Current executive officers:

| | | | | | | | | | |
|--|------|---------|---|---|-----------|---|---|-------|-----------|
| Steven H. Kane | 2009 | 234,982 | — | — | 1,400,000 | — | — | 6,344 | 1,641,326 |
| Director, President and Chief Executive Officer | 2008 | 125,000 | — | — | 288,810 | — | — | 0 | 413,810 |
| Marc L. Rose | 2009 | 30,000 | — | — | 523,250 | — | — | 0 | 553,250 |
| Chief Financial Officer, Treasurer and Secretary | 2008 | | | | | | | | |