

PureSafe Water Systems, Inc.  
Form 10-Q  
November 15, 2011

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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, 2011

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.)

25 Fairchild Avenue - Suite 250, 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  Accelerated filer   
Non-accelerated filer  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 Exchange Act).  
Yes  No

As of November 14, 2011, 340,389,004 shares of the common stock of the registrant were issued and 340,384,604 were outstanding.

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PureSafe Water Systems Inc. and Subsidiary

(A Development Stage Company Commencing January 1, 2002)

Condensed Consolidated Balance Sheets

(unaudited)

	September 30, 2011	December 31, 2010
<b>ASSETS</b>		
Current Assets:		
Cash	\$ 113,838	\$ 166,758
Inventories	545,377	442,815
Prepaid expenses and other current assets	61,192	81,697
<b>Total Current Assets</b>	<b>720,407</b>	<b>691,270</b>
Property and equipment, net of accumulated depreciation of \$130,811 and \$68,447, respectively	157,669	231,106
Patents and trademarks, net of accumulated amortization of \$34,186 and \$29,608, respectively	65,698	62,876
Other assets	46,685	37,280
<b>TOTAL ASSETS</b>	<b>\$ 990,459</b>	<b>\$ 1,022,532</b>
<b>LIABILITIES AND STOCKHOLDERS' DEFICIENCY</b>		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 575,616	\$ 751,262
Accrued compensation	385,431	193,533
Accrued consulting and director fees	144,000	144,000
Customer deposits	162,250	--
Convertible notes payable to officers and directors (including accrued interest of \$74,880 and \$47,445 and net of debt discount of \$31,691 and \$0, respectively)	715,189	534,445
Convertible promissory notes (including accrued interest of \$60,453 and \$25,132 and net of debt discount of \$154,377 and \$241,657, respectively)	851,076	428,475
Promissory notes payable (including accrued interest of \$179,999 and \$159,698, respectively)	531,935	470,660
Fair value of detachable warrants and conversion option	1,285,800	--
Accrued dividends payable	190,328	190,328
<b>Total Current Liabilities</b>	<b>4,841,625</b>	<b>2,712,703</b>
Long Term Liabilities:		
Notes Payable	17,660	20,423
<b>Total Long Term Liabilities</b>	<b>17,660</b>	<b>20,423</b>
<b>TOTAL LIABILITIES</b>	<b>4,859,285</b>	<b>2,733,126</b>
<b>Commitments and Contingencies</b>		
<b>Stockholders' Deficiency:</b>		
Preferred stock \$.001 par value; 10,000,000 shares authorized; 184,144 shares issued and outstanding	184	184

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(liquidation preference \$2,781,775 and \$2,700,550, as of September 30, 2011 and December 31, 2010, respectively)

Common stock, \$.001 par value; 450,000,000 authorized; 339,308,740 shares issued and 339,304,340 shares outstanding at September 30, 2011; 319,026,726 shares issued and 319,022,326 outstanding at December 31, 2010	339,308	319,026
Additional paid-in capital	38,434,528	37,203,196
Treasury Stock, at cost, 4,400 shares of common stock	(5,768 )	(5,768 )
Subscriptions receivable - related party (including accrued interest of \$68,439 and \$53,308, respectively)	(405,639 )	(390,508 )
Accumulated deficit (including \$27,699,843 and \$24,305,128 of deficit accumulated during development stage at September 30, 2011 and December 31, 2010, respectively)	(42,231,439 )	(38,836,724 )
Total Stockholders' Deficiency	(3,868,826 )	(1,710,594 )
<b>TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIENCY</b>	<b>\$ 990,459</b>	<b>\$ 1,022,532</b>

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

PureSafe Water Systems Inc. and Subsidiary  
(A Development Stage Company Commencing January 1, 2002)  
Condensed Consolidated Statements of Operations  
(unaudited)

	Three Months Ended September 30,		Nine months Ended September 30,		January 1, 2002 To September 30, 2011
	2011	2010	2011	2010	
Sales	\$ --	\$ --	\$ --	\$ --	\$ 471,290
Costs and expenses (income):					
Cost of Sales	--	--	--	--	575,680
Selling, general and administrative, including stock-based compensation of \$214,600 and \$155,267 for the three months and \$969,425 and \$654,351 for the nine months ended September 30, 2011 and 2010, respectively and \$5,241,303 for the period January 1, 2002 to September 30, 2011	629,995	790,238	2,294,360	2,304,436	16,421,305
Non-dilution agreement termination costs	--	--	--	--	2,462,453
Research and development	52,130	5,394	135,470	80,842	1,255,823
Interest expense - including interest expense to a related party of \$17,135 and \$14,151 for the three months and \$48,373 and \$37,779 for the nine months ended September 30, 2011 and 2010, respectively, and \$574,973 for the period Jan 1, 2002 to September 30, 2011	192,898	135,488	434,185	392,498	2,691,298
Financing costs - extension of warrants	85,700	--	85,700	--	160,400
Interest expense - conversion provision	--	--	--	--	113,000
Loss on settlement of debt	--	--	--	--	1,888,925
Change in fair value of detachable warrants and, embedded conversion	445,000	(505,400)	445,000	2,080,100	2,602,249

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option					
Total costs and expenses	1,405,723	425,720	3,394,715	4,857,876	28,171,133
Net (loss)	(1,405,723)	(425,720)	(3,394,715)	(4,857,876)	(27,699,843)
Deemed dividend on preferred stock	--	--	--	--	(2,072,296)
Preferred stock dividends	(27,075)	(27,075)	(81,225)	(81,225)	(1,023,948)
	(27,075)	(27,075)	(81,225)	(81,225)	(3,096,244)
Net loss attributable to common stockholders	\$ (1,432,798)	\$ (452,795)	(3,475,940)	\$ (4,939,101)	\$ (30,796,087)
Net loss attributable to common stockholders per common share -					
Basic and diluted (* less than a penny a share)	*	*	(0.01)	(0.02)	
Weighted average number of shares outstanding	335,839,212	301,874,648	329,227,487	289,782,805	

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

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PureSafe Water Systems, Inc. and Subsidiary

(A Development Stage Company commencing January 1, 2002)

Condensed Consolidated Statement of Stockholders' Deficiency

For the nine months ended September 30, 2011

(unaudited)

	Preferred Stock		Common Stock		Additional	Treasury	Subscription	Accumulated	Stock
	Shares	Amount	Shares	Amount	Paid-In	Stock	Receivable	Deficit	Dividend
					Capital	At Cost			
Balance at December 31, 2010	\$ 184,144	\$ 184	319,026,726	\$ 319,026	\$ 37,203,196	\$ (5,768)	\$ (390,508)	\$ (38,836,724)	\$ (1,000,000)
Proceeds from Sale of Common Stock									
\$0.138 per share – January 11, 2011	--	--	181,554	182	24,818	--	--	--	--
\$0.137 per share – January 13, 2011	--	--	182,083	182	24,818	--	--	--	--
\$0.145 per share – February 16, 2011	--	--	344,828	345	49,655	--	--	--	--
\$0.0947 per share – April 26, 2011	--	--	211,193	211	19,789	--	--	--	--
\$0.0933 per share – April 26, 2011	--	--	267,983	268	24,732	--	--	--	--
\$0.0947 per share – April 26, 2011	--	--	232,313	232	21,768	--	--	--	--
\$0.0910 per share – April 27, 2011	--	--	275,634	276	24,724	--	--	--	--
\$0.0960 per share – April 27, 2011	--	--	260,417	260	24,740	--	--	--	--

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2011								
\$0.0860 per share – May 6, 2011	--	--	581,395	581	49,419	--	--	--
\$0.0663 per share – August 24, 2011	--	--	1,508,296	1,509	98,491	--	--	--
\$0.0693 per share – September 22, 2011	--	--	360,752	361	24,639	--	--	--
Proceeds from exercise of warrants								
\$0.088 per share – January 24, 2011	--	--	273,974	274	23,726	--	--	--
\$0.122 per share – January 25, 2011	--	--	49,358	49	5,953	--	--	--
\$0.042 per share – February 8, 2011	--	--	95,238	95	3,905	--	--	--
\$0.038 per share – February 24, 2011	--	--	128,125	128	4,792	--	--	--
\$0.042 per share – February 24, 2011	--	--	95,238	95	3,905	--	--	--
\$0.068 per share – April 26, 2011	--	--	175,941	176	11,824	--	--	--
\$0.060 per share – June 10, 2011	--	--	68,909	69	4,066	--	--	--
\$0.060 per share – June 13, 2011	--	--	113,156	113	6,676	--	--	--
\$0.060 per share – June 13, 2011	--	--	108,078	108	6,377	--	--	--



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\$0.060 per share – June 16, 2011	--	--	21,524	22	1,269	--	--	--
\$0.060 per share – June 21, 2011	--	--	36,417	36	2,149	--	--	--
\$0.060 per share – June 21, 2011	--	--	94,340	94	5,566	--	--	--
\$0.060 per share – June 23, 2011	--	--	36,311	36	2,143	--	--	--
\$0.060 per share – June 23, 2011	--	--	44,131	44	2,604	--	--	--
\$0.060 per share – July 6, 2011	--	--	321,042	321	18,942	--	--	--
\$0.060 per share – July 8, 2011	--	--	166,666	167	9,833	--	--	--
\$0.060 per share – July 11, 2011	--	--	905,914	906	53,449	--	--	--
\$0.060 per share – July 12, 2011	--	--	71,429	72	4,214	--	--	--
\$0.060 per share – July 13, 2011	--	--	1,142,461	1,142	--	--	--	--
\$0.060 per share – July 13, 2011	--	--	68,966	69	4,069	--	--	--
\$0.060 per share – July 20, 2011	--	--	571,952	572	33,746	--	--	--
\$0.060 per share – August 24, 2011	--	--	300,120	300	17,707	--	--	--
\$0.060 per share – September 22, 2011	--	--	76,954	77	4,540	--	--	--

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PureSafe Water Systems, Inc. and Subsidiary

(A Development Stage Company commencing January 1, 2002)  
Condensed Consolidated Statement of Stockholders' Deficiency (Continued)

For the nine months ended September 30, 2011

(unaudited)

Common stock issued for loan conversion									
\$0.056 per share –									
January 4, 2011	--	--	493,924	494	27,166	--	--	--	27,660
\$0.055 per share –									
February 4, 2011	--	--	1,002,020	1,002	54,109	--	--	--	55,111
\$0.055 per share –									
February 10, 2011	--	--	502,399	502	27,130	--	--	--	27,632
\$0.053 per share –									
August 12, 2011	--	--	541,404	542	28,152	--	--	--	28,694
Common stock issued for repayment of debt									
\$0.132 per share –									
January 25, 2011	--	--	86,670	87	11,353	--	--	--	11,440
Common stock issued for services									
\$0.138 per share –									
January 13, 2011	--	--	452,900	453	62,047	--	--	--	62,500
\$0.137 per share –									
January 27, 2011	--	--	325,000	325	44,200	--	--	--	44,525
\$0.135 per share –									
March 9, 2011	--	--	2,000,000	2,000	268,000	--	--	--	270,000
\$0.135 per share –									
March 21, 2011	--	--	2,000,000	2,000	268,000	--	--	--	270,000
\$0.112 per share – April									
28, 2011	--	--	558,035	558	61,942	--	--	--	62,500
\$0.066 per share – July									
11 28, 2011	--	--	946,970	947	61,553	--	--	--	62,500
\$0.069 per share –									
August 23, 2011	--	--	2,000,000	2,000		--	--	--	