

FLEXPOINT SENSOR SYSTEMS INC
Form 10-Q/A
January 28, 2011

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

FORM 10-Q/A
Amendment No. 1

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

For quarterly period ended September 30, 2010

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: No. 0-24368

FLEXPOINT SENSOR SYSTEMS, INC.

(Exact name of registrant as specified in its charter)

Delaware

87-0620425

(State of incorporation)

(I.R.S. Employer Identification No.)

106 West Business Park Drive, Draper, Utah 84020

(Address of principal executive offices)

801-568-5111

(Registrant's telephone number)

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 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

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

Yes [] No [X]

The number of shares outstanding of the registrant's common stock was 27,508,387 as of January 27, 2011.

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EXPLANATORY NOTE

On or about January 25, 2011 the Board of Directors of the Company concluded that the Company's financial statements for the three months and the nine months ended September 30, 2010 should no longer be relied upon because of typographical errors on the Condensed Consolidated Balance Sheets. Specifically, numbers were truncated for Property and Equipment, Patents and Proprietary Technology, Goodwill, and Total Assets which caused them to be incorrectly stated in the previously published quarterly report. The typographical errors resulted in an understatement of Property and Equipment of \$300,000, an understatement of Patents and Proprietary Technology of \$700,000, and understatement of Goodwill of \$5,300,000, resulting in an understatement of Total Assets of \$6,000,000. These truncated numbers were the only errors found in the review of the previously published report.

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

The financial information set forth below with respect to our condensed consolidated financial position as of September 30, 2010, and December 31, 2009, the condensed consolidated statements of operations for the three and nine month periods ended September 30, 2010 and 2009, and condensed consolidated statements of cash flows for the nine month periods ended September 30, 2010 and 2009 is unaudited. This financial information, in the opinion of management, includes all adjustments consisting of normal recurring entries necessary for the fair presentation of such data. The results of operations for the three and nine month periods ended September 30, 2010 and 2009, respectively, are not necessarily indicative of results to be expected for any subsequent periods.

**FLEXPOINT SENSOR
SYSTEMS, INC. AND
SUBSIDIARIES**

**(A Development Stage
Company)**

**CONDENSED
CONSOLIDATED
BALANCE SHEETS**

(UNAUDITED)

September 30,

December 31,

2010

2009

ASSETS

Current Assets

Cash and cash
equivalents

\$

2,791

\$

12,680

Accounts receivable

19,312

11,451

Inventory

8,356

9,265

Deposits and prepaid
expenses

17,516

11,882

Total Current Assets

47,975

45,278

Long-Term Deposits

6,500

6,500

Property and Equipment,
net of accumulated
depreciation of \$239,667

and \$151,11

353,024

441,579

**Patents and Proprietary
Technology**, net of
accumulated amortization

of \$241,144 and
\$158,741

719,841

802,244

Goodwill

5,356,414

5,356,414

Total Assets

\$

6,483,754

\$

6,652,015

**LIABILITIES AND
STOCKHOLDERS'
EQUITY**

Current Liabilities

Accounts payable

\$

187,295

\$

81,313

Accrued liabilities

175,498

88,721

Convertible notes
payable to related party,
net of discount of
\$126,752

and \$8,750

776,263

329,264

Total Current Liabilities

1,139,056

499,298

Long-term convertible
notes payable to related
party,

net of discounts of \$0
and \$174,905

484,451

421,459

Total Liabilities

1,623,507

920,757

Stockholders' Equity

Preferred stock \$0.001
par value; 1,000,000 shares
authorized; no

shares issued or
outstanding

-

-

Common stock \$0.001
par value; 100,000,000
shares

authorized; 27,508,387
and 26,580,887 shares
issued and outstanding

27,508

26,580

Additional paid-in
capital

19,262,401

18,882,279

Warrants and options
outstanding

1,812,513

1,766,133

Deficit accumulated
during the development
stage

(16,242,176)

(14,943,734)

**Total Stockholders'
Equity**

4,860,246

5,731,258

**Total Liabilities and
Stockholders' Equity**

\$
6,483,754
\$
6,652,015

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

**FLEXPOINT
SENSOR
SYSTEMS, INC.
AND
SUBSIDIARIES**

**(A Development
Stage Company)**

**CONDENSED
CONSOLIDATED
STATEMENTS
OF OPERATIONS**

(UNAUDITED)

For the

Cumulative

Period from

February 24,

2004 (Date of

Emergence

**For the Three
Months**

**For the Nine
Months**

from bankruptcy)

**Ended September
30,**

**Ended September
30,**

through

2010

2009

2010

2009

September 30, 2010

**Design, Contract
and Testing
Revenue**

\$
24,181
\$
20,004
\$
71,266
\$
52,211
\$
800,893

**Operating Costs
and Expenses**

Amortization of
patents and
proprietary
technology

18,906

31,749

82,403

95,246

917,020

Cost of revenue

7,685

1,365

14,835

10,612

153,555

Administrative
and marketing
expense

233,142

231,327

678,446

732,732

10,857,147

Research and
development
expense

75,224

99,273

259,001

342,146

2,661,337

Impairment of
long-term assets

-

-

-

-

546,562

**Total Operating
Costs and Expenses**

334,957

363,714

1,034,685

1,180,736

15,135,622

**Other Income and
Expenses**

Interest expense

(154,324)

(44,015)

(334,613)

(146,111)

(2,114,049)

Interest income

0

32

14

304

131,739

Sublease rent
income

-

-

-

-

	11,340
Other income (expense)	
	(249)
	-
	(424)
	-
	54
Gain on forgiveness of debt	
	-
	-
	-
	-
	63,468

**Net Other
Income (Expense)**

(154,573)

(43,983)

(335,023)

(145,807)

(1,907,448)

Net Loss

\$
(465,349)
\$
(387,693)
\$
(1,298,442)
\$
(1,274,332)
\$
(16,242,176)

**Basic and Diluted
Loss Per Common
Share**

\$

(0.02)

\$

(0.02)

\$

(0.05)

\$

(0.05)

**Basic and Diluted
Weighted Average**

**Common Shares
Outstanding**

26,683,643

24,792,887

26,683,643

24,792,887

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

**FLEXPOINT
SENSOR
SYSTEMS, INC.
AND
SUBSIDIARIES**

**(A Development
Stage Company)**

**CONDENSED
CONSOLIDATED
STATEMENTS
OF CASH FLOWS**

(UNAUDITED)

For the Cumulative

Period from

February 24, 2004

(Date of Emergence

**For the Nine
Months**

from Bankruptcy)

**Ended September
30,**

through

2010

2009

September 30, 2010

**Cash Flows from
Operating
Activities:**

Net loss

\$

(1,298,442)

\$

(1,274,332)

\$

(16,242,176)

Adjustments to
reconcile net loss to
net cash used in
operating activities:

Depreciation

88,555

90,845

882,996

Amortization of
patents and
proprietary
technology

82,403

95,246

917,020

Impairment of
long-lived assets

-

-

546,562

Issuance of common
stock and warrants
for services

186,050

-

38

3,216,103

Expenses paid by
increase in
convertible note
payable

-

-

82,200

Amortization of
discount on note
payable

254,991

105,856

1,962,028

Stock-based
compensation

expense for
employees

46,380

92,554

1,812,513

Loss on conversion
of notes payable to
common stock

-

-

7,800

Changes in
operating assets and
liabilities:

Accounts receivable

(7,861)

26,045

(19,312)

Inventory

909

1,394

(8,356)

Deposits and prepaid
expenses

(5,634)

9,987

(24,016)

Accounts payable

105,983

40,480

(20,810)

Accrued liabilities

86,777

185,634

173,006

Deferred revenue

-

-

(343,750)

**Net Cash Used in
Operating
Activities**

(459,889)

(626,291)

(7,058,192)

**Cash Flows from
Investing
Activities:**

Payments for the
purchase of
equipment

-

(2,546)

(200,119)

Payments for
patents

-

-

(45,868)

Payment for
acquisition of
equipment and
proprietary

technology from
Flexpoint Holdings,
LLC

-

-

(265,000)

**Net Cash Used in
Investing Activities**

-

(2,546)

(510,987)

**Cash Flows from
Financing
Activities:**

Net proceeds from
issuance of common
stock and warrants

-

-

5,617,207

Principal payments
on notes payable -
related parties

-

-

(510,300)

Proceeds from
notes payable -
related parties

-

-

445,300

Proceeds from
borrowings under
convertible note
payable

450,000

500,200

2,017,712

**Net Cash Provided
by Financing
Activities**

450,000

500,200

7,569,919

**Net Change in
Cash and Cash
Equivalents**

(9,889)

(128,637)

740

**Cash and Cash
Equivalents at
Beginning of
Period**

12,680

178,158

2,051

**Cash and Cash
Equivalents at End
of Period**

\$

2,791

\$

49,521

\$

2,791

**Supplemental Cash
Flow Information:**

Cash paid for
interest

\$

-

\$

-

\$

16,995

**Supplemental
Disclosure on
Noncash Investing
and Financing
Activities**

Outstanding notes
payable converted to
stock

\$

-

\$

-

\$

1,522,200

Expiration of
warrants outstanding

-

-

2,361,785

Issuance of common
stock and warrants
for services

186,050

-

3,216,103

Recognition of
discounts on
convertible notes
payable

195,000

-

2,046,503

Extinguishment of
unamortized
discount on
modified

convertible notes
payable

-

-

(17,477)

Accounts payable
converted to notes
payable

-

22,200

22,200

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Condensed Interim Financial Statements The accompanying unaudited condensed consolidated financial statements include the accounts of Flexpoint Sensor Systems, Inc. and its subsidiaries (the Company). These financial statements are condensed and, therefore, do not include all disclosures normally required by accounting principles generally accepted in the United States of America. These statements should be read in conjunction with the most recent annual consolidated financial statements of Flexpoint Sensor Systems, Inc. and subsidiaries for the year ended December 31, 2009, included in the Company's Form 10-K filed with the Securities and Exchange Commission on April 9, 2010. In particular, the Company's significant accounting principles were presented as Note 1 to the Consolidated Financial Statements in that report. In the opinion of management, all adjustments necessary for a fair presentation have been included in the accompanying condensed consolidated financial statements and consist of only normal recurring adjustments. The results of operations presented in the accompanying condensed consolidated financial statements are not necessarily indicative of the results that may be expected for the full year ending December 31, 2010.

Nature of Operations The Company is located near Salt Lake City, in Draper, Utah and is a development stage company engaged principally in designing, engineering, and manufacturing sensor technology and equipment using Bend Sensors® flexible potentiometer technology. The Company is in the development stage as significant production and revenue generation have not yet commenced on a sustainable basis. Development stage activities primarily include acquiring equipment and technology, organizing activities, obtaining financing and seeking long-term manufacturing contracts. Even though the Company is making strides forward with its business plan, it is likely that significant progress may not occur within the next eight to twelve months. Accordingly, the Company may not realize significant revenues or become profitable within the next twelve to eighteen months, and will require additional financing to fund its current cash needs. These matters raise substantial doubt about the Company's ability to continue as a going concern. The financial statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts or the amount and classification of liabilities that might result should the Company be unable to continue as a going concern. The Company may be required to rely on debt financing, loans from related parties, and private placements of common stock for additional funding. These sources of financing may only be available on terms not acceptable to the Company.

Cash and Cash Equivalents Cash and cash equivalents are considered to be cash and a highly liquid security with original maturities of three months or less. The cash and equivalents of \$2,791 at September 30, 2010 and \$12,680 at December 31, 2009 represent cash on deposit in various bank accounts with two separate financial institutions.

Fair Value of Financial Instruments - The carrying amounts reported in the balance sheets for accounts receivable, accounts payable and accrued liabilities approximate fair value because of the immediate or short-term maturity of these financial instruments. The carrying amounts reported for notes payable approximate fair value because the underlying instruments are at interest rates which approximate current market rates.

Accounts Receivable Trade accounts receivable are recorded at the time product is shipped or services are provided including any shipping and handling fees. Due to the limited amount of transactions, collectability of the trade

receivables is reasonably assured, therefore the Company has not created an allowance for doubtful accounts. Contracts associated with design and development engineering require a deposit of up to 50% of the quoted price prior to the commencement of work. The deposit is considered deferred income until the entire project is completed and accepted by the customer, at which time the entire contract price is billed to the customer and the deposit applied. As the Company's revenues and customer base increase, an allowance policy will be established.

Inventories Inventories are stated at the lower of cost or market. Cost is determined by using the first in, first out (FIFO) method. Inventories consist of raw materials.

Property and Equipment Property and equipment are stated at cost. Additions and major improvements are capitalized while maintenance and repairs are charged to operations. Upon trade-in, sale, or retirement of property and equipment, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is recognized.

Valuation of Long-lived Assets The carrying values of the Company's long-lived assets are reviewed for impairment annually and whenever events or changes in circumstances indicate that they may not be recoverable. When projections indicate that the carrying value of the long-lived asset is not recoverable, the carrying value is reduced by the estimated excess of the carrying value over the projected discounted cash flows. The Company's analysis did not indicate any impairment of assets as of September 30, 2010.

Intangible Assets Costs to obtain or develop patents are capitalized and amortized over the remaining life of the patents, and technology rights are amortized over their estimated useful lives. The Company currently has the right to several patents and proprietary technology. Patents and technology are amortized from the date the Company acquires or is awarded the patent or technology right, over their estimated useful lives, which range from 5 to 15 years. An impairment charge is recognized if the carrying amount is not recoverable and the carrying amount exceeds the fair value of the intangible assets as determined by projected discounted net future cash flows. The Company's analysis did not indicate any impairment of intangible assets as of September 30, 2010.

Research and Development Research and development costs are recognized as an expense during the period incurred until the conceptual formulation, design, and testing of a process is completed and the process has been determined to be commercially viable.

Goodwill Goodwill represents the excess of the Company's reorganization value over the fair value of net assets of the Company upon emergence from bankruptcy. Goodwill is not amortized, but is tested for impairment annually or when a triggering event occurs using a fair value approach. A fair-value-based test is applied at the overall Company level. The test compares the fair value of the Company to the carrying value of its net assets. This test requires various judgments and estimates. The fair value of the Company is determined using the market value of the Company's common stock. The fair value of the Company is allocated to the Company's assets and liabilities based upon their fair values with the excess fair value allocated to goodwill. An impairment of goodwill is measured as the excess of the carrying amount of goodwill over the determined fair value.

Revenue Recognition Revenue is recognized when persuasive evidence of an arrangement exists, services have been provided or goods delivered, the price to the buyer is fixed or determinable and collectability is reasonably assured. Revenue from the sale of products is recorded at the time of shipment to the customers. Revenue from research and development engineering contracts is recognized as the services are provided and accepted by the customer. Revenue from contracts to license technology to others is deferred until all conditions under the contracts are met and then recognized as licensing royalty revenue over the remaining term of the contracts.

Stock-Based Compensation The Company recognizes expense for employee compensation from stock options and awards equal to the grant-date fair value over the vesting period.

Basic and Diluted Loss Per Share Basic loss per share is computed by dividing net loss by the weighted-average number of common shares outstanding during the period. Diluted loss per share is computed by dividing net loss by the weighted-average number of common shares and dilutive potential of common shares outstanding during the period. At September 30, 2010, there were outstanding options to purchase 1,919,000 shares of common stock. These options were not included in the computation of diluted loss per share as their effect would have been anti-dilutive, thereby decreasing loss per common share.

Subsequent events Subsequent events were evaluated through the date the financial statements were issued, and there were no material changes to the Company's financial condition since September 30, 2010.

NOTE 2 STOCK OPTION PLANS

On August 25, 2005, the Board of Directors of the Company approved and adopted the 2005 Stock Incentive Plan (the Plan). The Plan became effective upon its adoption by the Board and will continue in effect for ten years, unless terminated. This plan was approved by the stockholders of the Company on November 22, 2005. Under the Plan, the exercise price for all options issued will not be less than the average quoted closing market price of the Company's trading common stock for the thirty day period immediately preceding the grant date plus a premium of ten percent. The maximum aggregate number of shares that may be awarded under the Plan is 2,500,000 shares.

The Company continues to utilize the Black-Scholes option-pricing model for calculating the fair value as defined by ASC Topic 718, which is an acceptable valuation approach under ASC 718. This model requires the input of subjective assumptions, including the expected price volatility of the underlying stock. Projected data related to the expected volatility and expected life of stock options is based upon historical and other information, and notably, the Company's common stock has limited trading history. Changes in these subjective assumptions can materially affect the fair value of the estimate, and therefore, the existing valuation models do not provide a precise measure of the fair value of the Company's employee stock options.

On July 15, 2010 the Company granted options to employees to purchase an aggregate of 290,000 shares of common stock at an exercise price of \$0.24 per share. The options vest in two equal installments on December 31,

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2010 and December 31, 2011 and expire on August 25, 2015, which is 10 years from date of Board approval of the Plan. The Company used the following assumptions in estimating the fair value of the options granted on July 15, 2010; market value at time of issuance - \$0.21; expected holding period 5 years; risk-free interest rate 4.93%; dividend yield 0%; and expected volatility 200%. Using these assumptions, the options granted have a weighted-average fair value of \$0.21 per share.

During the nine month periods ended September 30, 2010 and 2009, the Company recognized \$46,380 and \$91,500 of stock-based compensation expense, respectively. There were 1,919,000 employee stock options outstanding at September 30, 2010. A summary of all employee options outstanding and exercisable under the plan as of

September 30, 2010, and changes during the three months then ended is set forth below:

Options
Shares
Weighted
Average
Exercise
Price
Weighted
Average
Remaining
Contractual
Life (Years)
Aggregate
Intrinsic
Value

Outstanding
at the
beginning of
period

1,629,000

\$

1.38

6.65

\$

-

Granted

290,000

0.24

-

-

Expired

-
-
-
-

Forfeited

-
-
-
-

Outstanding
at the end of
Period

1,919,000

\$

1.21

4.78

\$

Exercisable
at the end of
Period

1,403,000

\$

1.52

4.79

\$

-

As of September 30, 2010, there was approximately \$38,929 of unrecognized compensation cost related to employee stock options that will be recognized over a weighted average period of approximately 0.83 years.

NOTE 3 ISSUANCE OF STOCK

On March 15, 2010 the Company issued 17,500 restricted shares, in lieu of cash, to Claude Barker for sales consulting services and canceled \$6,050 of the Company's debt. We relied on an exemption from the registration requirements provided by Section 4(2) of the Securities Act.

On September 3, 2010 the Company issued 910,000 restricted shares, in lieu of cash, for payment to the Chesapeake Group for Investor Relations services performed through September 30, 2010 and canceled \$180,000 of the Company's debt. We relied on an exemption from the registration requirements provided by Section 4(2) of the Securities Act.

NOTE 4 RELATED PARTY MANUFACTURING CONTRACT

In September 2005 the Company entered into a manufacturing agreement with R&D Products, LLC, a Utah limited liability company, doing business in Midvale, Utah. For the purpose of this contract, management considers R&D Products to be a related party because a controlling member of R&D Products, LLC is also a non-controlling shareholder of Flexpoint Sensor Systems, Inc. R&D Products has developed a mattress with multiple air chambers that uses the Company's Bend Sensors® and the Company has entered into an agreement to manufacture the Bend Sensors® for R&D's specific mattress use. The initial order is for 30,000 Bend Sensors® to be used to begin manufacture of 1,000 mattresses. During 2007 and 2008 R&D Products deposited with Flexpoint the sum of \$100,000 to begin work on the initial production order of 20 commercial beds. Additional revenue from this contract is dependent upon R&D Products selling either their bed technology directly or licensing their technology to a third party.

On September 11, 2008 R&D Products, LLC entered into a long-term Licensing Agreement for their bed technology with a major medical solutions provider (Licensee). The Agreement provides the Licensee the exclusive world wide rights to R&D's patented medical bed technology. On that same day the Company, R&D Products and the Licensee entered into a long-term joint manufacturing agreement for R&D's medical bed technology and related products.

The manufacturing agreement allows for the Company to manufacture sensors for the bed technology and related medical products through 2018 with an option to renew each year thereafter. Production schedules with specific quantities and deadlines are still being outlined. (see Note 7. "Litigation"). At this time management is unsure the effect their litigation with R&D will have on this agreement with R&D or its Licensee.

NOTE 5 CONVERTIBLE NOTES PAYABLE

During the nine months ended September 30, 2010 the Company secured an additional \$450,000 of short-term and long-term financing from related parties, which represents notes with maturity dates of March 31, 2011 to March 31, 2012. The proceeds were used for operations. The notes have similar terms as those described in the Company's annual report, Form 10-K filed with the Securities and Exchange Commission on April 9, 2010. All of the notes have an annual interest rate of 10% and are secured by the Company's business equipment. The notes also have a conversion feature for restricted common shares at \$.20 per share. Due to the difference of the market price of the common stock associated with the conversion features of the notes and the conversion price, the convertible notes resulted in a beneficial conversion feature of \$195,000, which was recognized as a debt discount and an increase to additional paid-in capital. The calculation for the intrinsic value of the beneficial conversion feature was the difference between the conversion price of the common stock and the market value on the date the notes were executed multiplied by the number of shares into which the notes may be converted. The debt discount will be amortized from the date the notes were executed through the maturity date of the notes.

NOTE 6 OPERATING LEASES

In April 2009, the Company amended the operating lease agreement for its manufacturing facility in Draper, Utah. Under the new terms of the operating lease the average monthly payments are \$7,950, including common area maintenance through December 31, 2010. This amount increases to \$8,450 during the final year of the lease ending December 31, 2011. The total future minimum payments under this lease as of September 30, 2010 are as follows:

Year End December 31

2010

\$

23,850

2011

101,400

Total minimum lease
payments

\$

125,250

NOTE 7 - LITIGATION

On May 1, 2009, the Company negotiated a settlement agreement on the legal action and patent encroachment that was filed against Michael W. Wallace, d/b/a Pure Imagination, in January 2006. The complaint alleged that Mr. Wallace filed for patent rights and protection using certain software in combination with our Bend Sensor® technology related to the SEAT MAT for which Mr. Wallace assisted the Company in developing and was paid by the Company for his services. In his patent filing Mr. Wallace failed to list the Company, its employees and previous employees as co-inventors on the patent he obtained and for his pending application for a patent. The Company sought a copy of the source code and ownership of the patent and/or correction of the patent and patent application to add the appropriate co-inventors. Under the terms of the settlement there is an option to purchase the rights to the patent, but the Company is under no obligation to exercise the option. On May 15, 2009 the Company received approval of the settlement by the court and the legal action was dismissed.

In the spring of 2009 the Company filed legal action against Images SI, Inc. for selling and distributing a Bend Sensor® type product and claimed that the product being sold was a patent encroachment on the Bend Sensor® patent

owned by Sensitron a wholly owned subsidiary of the Company. Prior to December 31, 2009 the companies reached a settlement agreement whereby Flexpoint will receive royalties based upon the sales of the Bend Sensor® type products sold by Images SI, Inc.

On June 23, 2010, the Company, along with David B. Beck, the Company's Director of Engineering, filed a complaint against R&D Products, LLC, Persimmon Investments, Inc. and Jules A. deGreef, the managing member of R&D Products, LLC. The complaint alleges that all of the intellectual properties owned by R&D Products and Mr. deGreef, specifically patented applications using Bend Sensor® technology that were filed jointly by Mr. Beck and Mr. deGreef, and later assigned solely to Mr. deGreef and R&D Products, are the property of the Company. The assignment by Mr. Beck of his rights in the patents and intellectual properties were improperly given and are the property of the Company. The Company believes that since Mr. Beck was an employee of the Company during the time that he became the primary creative force and inventor of the Bend Sensor® applications for R&D Products and

Mr. deGreef, and the inventions and applications were created using Flexpoint resources, the Company is claiming that such intellectual properties, patents, etc. filed by deGreef, Persimmon and R&D belong to Flexpoint and therefore is seeking financial damages and ownership of all intellectual rights, patents and inventions created by Mr. Beck for deGreef, Persimmon and R&D Products.

NOTE 8 - SUBSEQUENT EVENTS

The Company has evaluated transactions subsequent to the quarter ended September 30, 2010 up to the date of the issuance of this report, and has no subsequent events to report.

ITEM 6. EXHIBITS

Part I Exhibits

No.

Description.

31.1

Certification of Clark M. Mower pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

31.2

Certification of Thomas N. Strong pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

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Certification pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Part II Exhibits

No.

Description.

3.1

Certificate of Incorporation of Flexpoint Sensor, as amended (Incorporated by reference to exhibit 3.1 for Form 10-QSB, filed August 4, 2006)

3.2

Bylaws of Flexpoint Sensor, as amended (Incorporated by reference to exhibit 3.4 of Form 10-QSB, filed May 3, 2004)

10.1

Lease Agreement between Flexpoint Sensor and F.G.B.P., L.L.C., dated July 12, 2004 (Incorporated by reference to exhibit 10.2 of Form 10-QSB, filed November 15, 2004, as amended)

10.2

Addendum to Lease Agreement between Flexpoint Sensor and F.G.B.P., L.L.C., dated April 1, 2009 (incorporated by reference to exhibit 10.2 of Form 10-Q filed May 14, 2009)

10.3 Form of Promissory Note between Flexpoint Sensor and Related Parties (Filed November 15, 2010)

SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, who are duly authorized.

FLEXPOINT SENSOR SYSTEMS, INC.

Date: January 27, 2011

/s/ Clark Mower

Clark M. Mower

President, Chief Executive Officer and Director

Date: November 8, 2006

/s/ Thomas N. Strong

Thomas N. Strong

Controller, Chief Financial Officer