FLEXPOINT SENSOR SYSTEMS INC
Form 10-Q
August 16, 2010

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

[X]

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

For quarterly period ended June 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 [X] 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 [X]

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 26,598,387 as of August 16, 2010.

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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

The financial information set forth below with respect to our condensed consolidated financial position as of June 30, 2010, and December 31, 2009, the condensed consolidated statements of operations for the three and six month periods ended June 30, 2010 and 2009, and condensed consolidated statements of cash flows for the six month periods ended June 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 six month periods ended June 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

June 30,

December 31,

2010

2009

ASSETS

(UNAUDITED)

Current Assets

Cash and cash equivalents	$ 14,926	$ 12,680
Accounts receivable	22,555	11,451
Inventory	9,219	9,265
Deposits and prepaid expenses	23,139	11,882
Total Current Assets	69,839	45,278

Long-Term Deposits

6,500

6,500

Property and Equipment, net of accumulated depreciation

of $211,676 and $151,11

381,016

441,579

Patents and Proprietary Technology, net of accumulated

amortization of $222,238 and $158,741

738,747

802,244

Goodwill

5,356,414

5,356,414

Total Assets

$

6,552,516

$

6,652,015

LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities

Accounts payable

$

160,897

$

81,313

Accrued liabilities

286,444

88,721

Convertible notes payable to related party, net of discount of

$226,325 and $8,750

1,008,142

329,264

Total Current Liabilities

1,455,483

499,298

Long-term convertible notes

payable to related party,

net of discounts of $0 and $174,905

-

421459

Total Liabilities

1,455,483

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;

26,598,387 and 26,580,887 shares issued and outstanding

26,597

26,580

Additional paid-in capital

19,058,311

18,882,279

Warrants and options outstanding

1,788,602

1,766,133

Deficit accumulated during the development stage	(15,776,477)	(14,943,734)
Total Stockholders' Equity	5,097,033	5,731,258
Total Liabilities and Stockholders' Equity	$ 6,552,516	$ 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 Six Months

from bankruptcy)

Ended June 30,

Ended June 30,

through

2010

2009

2010

2009

June 30, 2010

Design, Contract and Testing Revenue	
$	18,948
$	5,604
$	47,085
$	32,207
$	776,712

Operating Costs and Expenses

Amortization of patents and

proprietary
technology

31,749

31,749

63,497

63,497

898,114

Cost of revenue

5,593

1,285

	7,150
	9,247
	145,871
Administrative and marketing expense	
	239,427
	224,158
	445,304
	501,405
	10,624,005
Research and development expense	
	108,075
	134,255
	183,777

242,873

2,586,112

Impairment of long-term assets

-

-

-

-

546,562

Total Operating Costs and Expenses

384,844

391,447

699,728

817,021

14,800,664

Other Income and Expenses

Interest expense

(90,986)

(64,330)

(180,289)

(102,096)

(1,959,725)

Interest income

(0)

94

14

272

131,739

Sublease rent income

-

-

-

-

11,340

Other income

175

-

175

-

653

Gain on forgiveness of debt

-

-

-

-

63,468

Net Other Income (Expense)

(90,811)

(64,236)

(180,100)

(101,824)

(1,752,525)

Net Loss

$

(456,707)

$

(450,079)

$

(832,743)

$

(886,639)

$

(15,776,477)

Basic and Diluted Loss

Per Common Share	
$	(0.02)
$	(0.02)
$	(0.03)
$	(0.04)

Basic and Diluted Weighted Average Common Shares Outstanding
26,591,232
24,792,887

26,591,232

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 Six Months

from Bankruptcy)

Ended June 30,

through

2010

2009

June 30, 2010

Cash Flows from Operating Activities:

Net loss

$

(832,743)

$

(886,639)

$

(15,776,477)

Adjustments to reconcile net loss to

net cash used in

operating activities:

Depreciation

60,564

60,563

855,005

Amortization of patents and proprietary technology	
	63,497
	63,497
	898,114
Impairment of long-lived assets	
	-
	-
	546,562
Issuance of common stock and warrants for services	
	6,050
	-
	3,036,103

Expenses paid by increase in convertible note payable	-	-	82,200
Amortization of discount on note payable	127,419	79,453	1,834,456
Stock-based compensation expense for employees	22,468	60,533	1,788,601

Loss on conversion of notes payable to common stock

-

-

7,800

Changes in operating assets and liabilities:

Accounts receivable

(11,104)

27,032

(22,555)

Inventory	
	44
	2,082
	(9,221)
Deposits and prepaid expenses	
	(11,257)
	6,785
	(29,639)
Accounts payable	
	79,585

51,434

(47,208)

Accrued liabilities

197,723

118,010

283,952

Deferred revenue

-

5,000

(343,750)

Net Cash Used in Operating Activities

(297,754)

(412,250)

(6,896,057)

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

300,000

319,781

1,867,712

Net Cash Provided by Financing Activities

300,000

319,781

7,419,919

Net Change in Cash and Cash Equivalents

2,246

(95,015)

12,875

Cash and Cash Equivalents at Beginning of Period

12,680

178,158

2,051

Cash and Cash Equivalents at End of Period

$

14,926

$

83,143

$

14,926

Supplemental Cash Flow Information:

Cash paid for interest

$ -

$ 107

$ 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

Recognition of discounts on convertible notes payable

170,000

-

2,021,503

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.

FLEXPOINT SENSOR SYSTEMS, INC. AND SUBSIDIARIES

(A Development Stage Company)

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

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 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 $14,926 at June 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 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

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FLEXPOINT SENSOR SYSTEMS, INC. AND SUBSIDIARIES

(A Development Stage Company)

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

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 June 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 June 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 June 30, 2010, there were outstanding options to purchase 1,629,000 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 June 30, 2010.

FLEXPOINT SENSOR SYSTEMS, INC. AND SUBSIDIARIES

(A Development Stage Company)

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

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.

During the six month periods ended June 30, 2010 and 2009, the Company recognized $22,468 and $60,533 of stock-based compensation expense, respectively. There were 1,629,000 employee stock options outstanding at June 30, 2010. A summary of all employee options outstanding and exercisable under the plan as of June 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	5.68	$ -

Granted

-

-

-

-

Expired

-

-

-

-

Forfeited

-

-

-

-

<u>Outstanding at the end of Period</u>

1,629,000

$

1.38

5.18

$

-

Exercisable at the end of Period

1,363,000

$

1.54

5.19

$

-

As of June 30, 2010, there was approximately $21,188 of unrecognized compensation cost related to employee stock options that will be recognized over a weighted average period of approximately 0.73 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.

FLEXPOINT SENSOR SYSTEMS, INC. AND SUBSIDIARIES

(A Development Stage Company)

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

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 Sensor® 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 6. "Litigation"). At this time management is unsure the effect of their litigation with R&D will have on this agreement with R&D or its Licensee.

NOTE 5 CONVERTIBLE NOTES PAYABLE

During the six months ended June 30, 2010 the Company secured an additional $300,000 of short-term financing from related parties, which represents notes with a maturity date of March 31, 2011. 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 $170,000, 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 June 30, 2010 are as follows:

Year End December 31		
2010	$	47,700
2011		101,400

Total minimum lease payments	$ 149,100

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FLEXPOINT SENSOR SYSTEMS, INC. AND SUBSIDIARIES

(A Development Stage Company)

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

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.

In this quarterly report references to the Company, we, us, and our refer to Flexpoint Sensor Systems, Inc. and its subsidiaries.

FORWARD LOOKING STATEMENTS

The Securities and Exchange Commission (SEC) encourages reporting companies to disclose forward-looking information so that investors can better understand future prospects and make informed investment decisions. This report contains these types of statements. Words such as may, expect, believe, anticipate, estimate, project, or or comparable terminology used in connection with any discussion of future operating results or financial performance identify forward-looking statements. You are cautioned not to place undue reliance on the forward-looking statements, which speak only as of the date of this report. All forward-looking statements reflect our present expectation of future events and are subject to a number of important factors and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements.

ITEM 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

EXECUTIVE OVERVIEW

Flexpoint Sensor Systems, Inc. (Flexpoint , or Company), is a development stage company principally engaged in designing, engineering and manufacturing bend sensor technology and equipment using its patented Bend Sensor® technology, (a flexible potentiometer technology). For the past three years we have been negotiating and signing contracts, manufacturing Bend Sensor® devices and related products and making further improvements to our technologies and processes. We own nine patents and have filed for additional patents and are in the process of filing for more. The Company currently manufactures, or is jointly developing, five products that are being sold and supplied to current customers. We are working towards continued expansion of our customer base and the Company markets to a number of users and is in the process of furthering its marketing effort for products that the Company can produce. We anticipate having as many as 15 to 20 different products featuring our patented Bend Sensor® technology on the market over the next 12 to 18 months.

In February 2010 our management announced a modification of our business model to more aggressively focus on smaller contracts and production orders that produce immediate income for the Company. We will continue to focus on larger contracts in the medical bed and automotive industry, but will also seek smaller contracts as well. As a result management expects we will experience an increase in our customer base which will increase interest in our Bend Sensor® technologies.

During the first quarter of 2010 we have entered into several new agreements to develop new types of products for our Bend Sensor® technologies. We are developing a poppet valve for an airline craft hydraulic system, along with airline seat impact detection sensors. We are developing a Home Monitoring Presence Detection System using our Bend Sensor® technologies and also an infant bed covering to monitor infants in the prevention of sudden death syndrome. In addition, we have launched development of golfing and bowling shoes using our Bend Sensor® technologies to measure and improve performance.

In March 2010 we announced that we had entered into a working relationship with Sensor Products, Inc. for the development of a nip sensor which will measure actual contact pressure and distribution between two mating or impacting surfaces. This type of sensor would be used for analytical tools used in manufacturing and research and development processes.

The Company has negotiated the following contracts, which management believes may produce revenues within the next twelve to eighteen months:

In September 2007 the Company entered into an agreement with Intertek Industrial Corp. for an automotive seat monitoring device application for emergency response vehicles. This monitoring device places the Company s Bend Sensors® in each rear passenger seat with a monitor viewable to the vehicle s driver. The foolproof system informs the driver if the emergency medical technicians are seated and properly secured prior to departure and while the vehicle is in motion. Revenue from the development fees and the initial purchase order were approximately $30,000 in 2008. The system is installed in the seats of the rear compartments of the emergency vehicle and provides the driver with constant feedback as to the seated and secured status of passengers and personnel in the rear of the vehicle. The system is currently installed in about 20 ambulances and is being tested for use in other types of emergency vehicles. The Company believes that through its relationship with Intertek it will further validate its technology in the automotive and safety industries. Through this validation the Company anticipates additional projects with Intertek using the Bend Sensors®.

On September 11, 2008 the Company entered into a Joint Manufacturing Agreement with R&D Products, LLC, a Midvale, Utah company and R&D s Licensee of its patented medical bed technology. The Licensee is one of the world s leading medical mattress providers. The Company agreed to sell Bend Sensors® to be used in the manufacture and development of R&D s mattress and related medical products on a commercial scale. The mattress and related products will be distributed, sold and marketed through the Licensee s current world-wide distribution channels.

The down turn of the global economy and the current uncertainties in the health care industry have resulted in a slower roll out of this product by the Licensee, which has required the Company to revise its earlier production ramp up estimates and lowered the projected revenues for 2010. The Licensee continues to work with the Company on improvements to the mattress as they develop a long-term marketing strategy for its estimated roll out and production ramp up during 2010. However, in June 2010 the Company initiated a legal action against R&D Products, LLC and our management is unsure of the effect that this action may have on our relationship with R&D Products and its Licensee (See Part II, Item 1, below)

Under the terms of our agreement with R&D Products LLC, we have delivered and are scheduled to deliver additional bed prototypes for use in medical and commercial applications. As design changes and enhancements are approved and implemented, we anticipate delivery of additional prototypes during 2010. The electronics of the bed are able to determine, based on our Bend Sensor® technology input, the position of the person on the bed and how they are moved. The bed has the ability to roll a patient left or right to relieve pressure areas as well as facilitate dressing changes. This allows needed adjustments to be made to meet the required standards of care and comfort. Adjustments are also programmable for customized patient care. R&D Products has licensed the exclusive worldwide technology and patent rights for the bed s medical application which is designed to manage pressure on the body using Flexpoint Sensor Systems Bend Sensor® technology. Management believes this application of our technology is sufficiently unique to provide a major source of future revenues.

Finalizing additional long-term revenue generating production contracts with other customers remains our greatest challenge because our on-going business is dependent on the types of revenues and cash flows generated by such contracts. Cash flow and cash requirement risks are closely tied to and are dependent upon our ability to attract significant long-term production contracts. We must continue to obtain funding to operate and expand our operations so that we can deliver our unique Bend Sensor® and Bend Sensor® related technologies and products to the market. Management believes that even though we are making positive strides forward with our business plan, it is likely that significant progress may not occur for the next twelve months. Accordingly, we cannot guarantee that we will realize significant revenues or that we will become profitable during 2010.

The widespread credit crisis has reduced consumer purchasing power and resulted in an overall down turn in consumer confidence. These factors have contributed to lower consumer spending and investments by companies and have resulted in a worldwide slowing of the global economy. While all sectors of the economy are experiencing difficult times, the automotive industry is particularly challenged. Worldwide automakers are seeing double digit declines in profits. This trend continued through 2009 and not only affected the automobile manufacturer but also the Tier 1 and after market suppliers.

Because the Company has concentrated most of its marketing efforts on the automotive industry and with the downturn in this industry and the economy as a whole we might experience further delays in securing additional long-term production contracts. However, the economic down turn might also be to our advantage. Our Bend Sensor® is lighter in weight, has fewer moving parts than conventional sensing devises, is more versatile and due to its unique design is more cost effective. Product and design changes in the automotive industry are slow, averaging two to three years before actually being incorporated into a commercially viable automotive platform. Because we are not currently under production in an auto application, we believe we are poised to provide the next generation of sensing devises to the industry. With the likelihood of higher fuel and manufacturing costs, the auto industry will be looking to develop more fuel-efficient and alternative-fuel type (green) vehicles that will need to be lighter in weight, less complicated in design, and more cost effective to run and build. Due to the advanced technology of the Bend Sensor® and its versatility of applications we believe we can be a part of the changes needed in the automotive, energy and technological industries.

LIQUIDITY AND CAPITAL RESOURCES

Our revenue is primarily from design, contract, testing and limited production services and is not to a level to support our operations. Management anticipates that we may not realize significant revenue within the next twelve months. For the past twelve months we have relied on proceeds from private placements and loans from related parties. We completed a private placement in June and September of 2007 to satisfy most of our cash requirements through December 31, 2008. In these private placements we issued an aggregate of 1,500,000 shares of common stock at a price of $1.00 per share. We realized net proceeds of $1,500,000 from the private placements that we have used to fund continuing operations and business development. In November 2008 we secured $300,000 of short-term financing from related parties. The notes were due and payable on May 31, 2009. In June 2009 we extended these notes for an additional year. Throughout 2009 and into 2010 we have continued to rely on similar debt financing from related parties. The same related parties have agreed to fund our continued operations under similar terms as needed. To date we have used the funds generated from these private placements and notes to fund continuing operations and business development.

Due to additional cost cutting measures management believes that our current cash burn rate is approximately $50,000 per month and that the remaining proceeds from the private placement, notes and our engineering and design fees will not fund our operations. We will therefore need to raise additional financing. We believe that this additional financing will provide the needed capital to extend operations to the development of production with R&D Products, LLC and their Licensee on the medical mattress project, or other projects currently being pursued. However, we may not be able to obtain financing, or the sources of financing, if any, may not continue to be available, and if available, they may be on terms unfavorable to us.

As we enter into new technology agreements in the future, we must ensure that those agreements provide adequate funding for any pre-production research and development and manufacturing costs. As we are successful in establishing agreements with adequate initial funding, management believes that our operations for the long term will be funded by revenues, licensing fees and royalties related to these agreements. However, we have not formalized any agreements during the past year and there can be no assurance that the agreements we currently have will come to fruition in the future or that a desired technological application can be brought to market on a commercially viable basis.

FINANCIAL OBLIGATIONS AND CONTINGENT LIABILITIES

Our principal commitments at June 30, 2010 consist of our operating lease and total liabilities of $1,455,483 which includes $1,008,143 short-term notes payable to related parties, net of $226,325 discount. Under the new terms of our 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 June 30, 2010 are $149,100.

During the two quarters of 2010 we secured an additional $300,000 of short term financing from related parties based upon promissory notes with a maturity date of March 31, 2011. As of June 30, 2010 we owed $300,000 of principal on these notes. All of the notes have an annual interest rate of 10% and are secured by our business equipment. The notes also have a conversion feature for restricted common shares at $.20 per share and 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 net beneficial conversion feature of $170,000, which was recognized as a debt discount and an increase to additional paid-in capital.

Our total current liabilities include accounts payable of $160,897 related to normal operating expenses, including health insurance, utilities, production supplies, travel expense, and expenses for professional fees.

Accrued liabilities at June 30, 2010, were $286,445 and were related to payroll, payroll tax liabilities, accrued professional expenses, accrued insurance expense, accrued interest expense on notes and accrued paid time off.

OFF-BALANCE SHEET ARRANGEMENTS

We have not entered into any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources and would be considered material to investors.

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Estimates of particular significance in our financial statements include goodwill and the annual tests for impairment of goodwill and long-lived assets and valuing stock option compensation.

We annually test long-lived assets for impairment or when a triggering event occurs. Impairment is indicated if undiscounted cash flows are less than the carrying value of the assets. The amount of impairment is measured using a discounted-cash-flows model considering future revenues, operating costs and risk-adjusted discount rate and other factors. The long-lived asset impairment test conducted at December 31, 2007, 2008 and 2009 identified a loss of $299,798, $246,764 and $0, respectively, and these additional expenses were recognized accordingly. The analysis compared the present value of projected net cash flows for the remaining current year and next two years against the carrying value of the long-lived assets. The result of the valuation analysis showed an impairment of long-lived assets, as their carrying values exceeded the present value of the discounted projected revenues. Under similar analysis no impairment charge was taken during the three and six month periods ended June 30, 2010. Impairment tests will be conducted on a regular basis and, should they indicate a carrying value in excess of fair value, additional charges may be required.

Financial accounting standards require that recognition of the cost of employee services received in exchange for stock options and awards of equity instruments be based on the grant-date fair value of such options and awards and is recognized as an expense in operations over the period they vest. The fair value of the options we have granted is estimated at the date of grant using the Black-Scholes American option-pricing model. Option pricing models require the input of highly sensitive assumptions, including expected stock volatility. Also, our stock options have characteristics significantly different from those of traded options, and changes in the subjective input assumptions can materially affect the fair value estimate. Management believes the best input assumptions available were used to value the options and that the resulting option values are reasonable. For the six month periods ended June 30, 2010 and 2009 we recognized $22,468 and $60,533, respectively, of stock-based compensation expense for our stock options and there was approximately $21,188 of unrecognized compensation cost related to employee stock options that will be recognized over approximately 0.73 years.

RESULTS OF OPERATIONS

The following discussions are based on the consolidated operations of Flexpoint Sensor Systems, Inc. and its subsidiaries and should be read in conjunction with our unaudited financial statements for the three and six month periods ended June 30, 2010 and 2009, included in Part I, Item 1, above and the audited financial statements included in the Company s annual report on Form 10-K for the years ended December 31, 2009 and 2008, respectively.

Three month
period ended

Six month
period ended

June 30, 2010

June 30, 2009

June 30, 2010

June 30, 2009

Design, contract and testing revenue
$ 18,948
$ 5,604
$ 47,085
$ 32,207

Total operating costs and expenses	
	384,844
	391,447
	699,728
	817,021
Net other income (expense)	

(90,811)

(64,236)

(180,100)

(101,824)

Net loss

(456,707)

(450,079)

(832,743)

(886,639)

Basic and diluted loss per common share

$

(0.02)

$

(0.02)

$

(0.03)

$

(0.04)

14

For the three months ending June 30, 2010 revenues increased by $13,344 compared to the same period in 2009, and revenues increased by $14,878 over the six month total of $32,207 ending June 30, 2009. The increase in revenue is primarily due to the change in the Company's marketing strategy to focus on smaller contracts and production while building its customer base and the demand for the Bend Sensor® technology. Overall revenues are not sufficient to sustain our operations and management does not anticipate that revenues will significantly increase until we are in a full production phase of a long-term licensing or manufacturing contract.

Revenue for the 2010 and 2009 interim periods was from design, contract and limited production. 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 contract are met and then the sale is recognized as licensing royalty revenue over the remaining term of the contract. Revenue from the sale of a product is recorded at the time of shipment to the customer.

Of the $384,845 and $699,729 total operating costs and expenses for the three and six months ending June 30, 2010 $108,075 and $183,777 were for direct research and development cost, respectively. Of the $391,447 and $817,021 total operating cost and expense for the three and six months ending June 30, 2009, $134,255 and $242,873 were for direct research and development cost, respectively.

Total operating expenses decreased by $6,602 and $117,293 for the three and six months ended June 30, 2010, respectively, when compared to the same period in 2009. Part of the decrease is due to lower stock based compensation expense to employees, and the continuous cost cutting initiatives implemented so far during 2010. The decreases were more than offset by the accrual of interest expense and amortization of discounts on the related party convertible notes.

Due to minimal revenues and overall operating costs and expenses, we recorded a net loss and loss per share for both the 2010 and 2009 periods. Management expects losses to continue in the short term.

The chart below presents a summary of our condensed consolidated balance sheets at June 30, 2010 and December 31, 2009

SUMMARY OF BALANCE SHEET INFORMATION

June 30, 2010

December 31, 2009

Cash and cash equivalents

$

14,926

$

12,680

Total current assets

69,839

45,278

Total assets

6,552,516

6,652,015

Total liabilities

1,455,483

920,757

Deficit accumulated during the development stage

(15,776,477)

(14,943,734)

Total stockholders' equity

$

	5,097,033
$	5,731,258

Cash and cash equivalents increased $2,246 at June 30, 2010 compared to December 31, 2009. The increase in cash resulted from additional revenues during the period. Our non-current assets decreased at June 30, 2010 due to the depreciation and amortization of long-lived assets. These assets include property and equipment valued at $381,016, net of depreciation; patents and proprietary technology of $738,747, net of amortization; goodwill of $5,356,414 and long-term deposits of $6,500 associated with the facility operating lease.

Total liabilities increased by $534,726 at June 30, 2010, the increase was the result of increases in accrued liabilities and a increase in short-term convertible notes payable of $300,000.

INFLATION

We do not expect the impact of inflation on our operations to be significant for the next twelve months.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable to smaller reporting companies.

ITEM 4. CONTROLS AND PROCEDURES

(a)

Disclosure Controls and Procedures

As of the end of the period covered by this quarterly report, we carried out an evaluation, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures. Our Chief Executive Officer and Chief Financial Officer evaluate whether information required to be disclosed is recorded, processed, summarized and reported within the specified periods, and is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, to allow for timely decisions regarding required disclosure of material information required to be included in our periodic Securities and Exchange Commission reports. Our disclosure controls and procedures are designed to provide reasonable assurance of achieving their objectives and our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures are effective to a reasonable assurance level of achieving such objectives. However, it should be noted that the design of any system of controls is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions, regardless of how remote.

(b)

Management s Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act). Management reviewed our internal controls over financial reporting, and there have been no changes in our internal controls over financial reporting for the quarter ended June 30, 2010 that have materially affected, or are likely to affect, our internal controls over financial reporting.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

On June 23, 2010, the Company, along with David B. Beck, the Company's Director of Engineering, filed a complaint in the Third District Court, Salt Lake County, State of Utah, 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 was improperly given and the rights 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.

ITEM 1A. RISK FACTORS

<u>We have a history of losses and may never become profitable.</u>

We are unable to fund our day-to-day operations from revenues and the lack of revenues for continued growth may cause us to delay our business development. As of June 30, 2010 we had negative cash flows from operating activities of $297,754. We will require additional financing to fund our long-term cash needs and we may be required to rely on debt financing, loans from related parties, and private placements of our common stock for that additional funding. Such funding sources may not be available or the terms of such funding sources may not be acceptable to the company. If the Company is unable to find such funding it could have a material adverse effect on our ability to continue as a going concern.

We may not have adequate resources to successfully manage anticipated growth.

We may not be equipped to successfully manage any possible future periods of rapid growth or expansion, which could be expected to place a significant strain on our managerial, operating, financial and other resources. Our future performance will depend, in part, on our ability to manage growth effectively, which will require us to:

.

improve existing, and implement new, financial controls and systems, management information systems, operating, administrative, financial and accounting systems and controls,

.

maintain close coordination between engineering, programming, accounting, finance, marketing, sales and operations, and

.

attract and retain additional qualified technical and marketing personnel.

There is intense competition for management, technical and marketing personnel in our business. The loss of the services of any of our key employees or our failure to attract and retain additional key employees could have a material adverse effect on our ability to continue as a going concern.

We may not have adequate manufacturing capacity to meet anticipated manufacturing contracts.

Based on projected business development, we will need to complete a second production line and have it installed and approved during 2011. The second manufacturing line is expected as a result of anticipated increased manufacturing demand and improved manufacturing efficiencies. We have completed installation of our first production line and anticipate qualifying our manufacturing facility for ISO/TS-16949 certification as the Company successfully obtains additional manufacturing contracts during 2010. However, we cannot assure you that we will satisfy ISO/TS-16949 qualification or that the production lines will produce product in the volumes required or that the production lines will satisfy the requirements of our automotive customers.

Our success is dependent on our intellectual property rights which are difficult to protect.

Our future success depends on our ability to protect our intellectual property. We use a combination of patents and other intellectual property arrangements to protect our intellectual property. There can be no assurance that the protection provided by our patents will be broad enough to prevent competitors from introducing similar products or that our patents, if challenged, will be upheld by courts of any jurisdiction. Patent infringement litigation, either to enforce patents or defend ourselves from infringement suits, will be expensive and could divert our resources from other planned uses. Patent applications filed in foreign countries and patents in these countries are subject to laws and procedures that differ from those in the U.S. and may not be as favorable to us. We also attempt to protect our confidential information through the use of confidentiality agreements and by limiting access to our facilities. There can be no assurance that our program of patents, confidentiality agreements and restricted access to our facilities will be sufficient to protect our confidential information and intellectual properties from our competitors.

Research and development may result in problems which may become insurmountable to full implementation of production.

Customers request that we create prototypes and perform pre-production research and development. As a result, we are exposed to the risk that we may find problems in our designs that are insurmountable to fulfill production. In that event, we would be unable to recover the costs of the pre-production research and development. However, we are currently unaware of any insurmountable problems with ongoing research and development that may prevent further development of an application.

Economic uncertainties will delay or eliminate new technological investments.

Due to the current downturn in the global economy and financial uncertainties, automakers and other potential customers could delay, significantly curtail or altogether eliminate any further investment in new technology including, the Bend Sensor® technology, until the global financial markets and economies stabilize. Due to our limited cash resources any delays in bringing our products and technology to market could have a material adverse effect on our ability to continue as a going concern.

Because we are significantly smaller than the majority of our competitors, we may lack the financial resources needed to capture increased market share.

The market for sensor devices is extremely competitive, and we expect that competition will intensify in the future. There can be no assurance that we will be able to compete successfully against current or future competitors or that competitive pressures we face will not materially adversely affect our business, operating results or financial condition. Our primary competitors in the air bag market are International Electronics and Engineering, Siemens, Robert Bosch GmbH, Denso, Inc., Breed Technologies, TRW Automotive, Delphi Corporation, Autoliv Inc., Takata and Temic. We believe that none of our competitors have a product that is superior to our Bend Sensor® technology at this time. However, many of our competitors and potential competitors have substantially greater financial, technical and marketing resources, larger customer bases, longer operating histories, greater name recognition and more established relationships than we do. These competitors may be able to undertake more extensive marketing campaigns, adopt more aggressive pricing policies and devote substantially more resources to developing new products and markets than we can.

Ongoing industry consolidation among worldwide automotive parts suppliers and financial difficulties of U.S. auto makers may limit the market potential for our products.

In the automotive parts industry, there is a trend of consolidation through business combinations and acquisitions of complementary technologies among worldwide suppliers as these suppliers seek to build stronger customer relationships with automobile manufacturers. Automobile manufacturers look to Tier 1 suppliers (major suppliers) to provide fully engineered systems and pre-assembled combinations of components rather than individual components. This trend of consolidation of suppliers may result in fewer Tier 1 suppliers and thus limit the marketing opportunities for our Bend Sensor® technology. In addition, U.S. auto makers have closed plants, reduced their work force and some are emerging from bankruptcy. In addition, some Tier 1 suppliers are in bankruptcy or in financial difficulty. These industry trends may limit the market for our products.

Failure to achieve and maintain effective internal controls in accordance with Section 404 of the Sarbanes-Oxley

Act could lead to loss of investor confidence in our reported financial information.

Pursuant to Section 404 of the Sarbanes-Oxley Act of 2002, we are required to furnish a report by our management on our internal control over financial reporting. If we cannot provide reliable financial reports or prevent fraud, then our business and operating results could be harmed, investors could lose confidence in our reported financial information, and the trading price of our stock could drop significantly. Our independent registered accounting firm must attest to the effectiveness of our internal control over financial reporting for the fiscal year ended December 31, 2010. We cannot assure you as to our independent auditors conclusions at December 31, 2010 with respect to the effectiveness of our internal control over financial reporting. There is a risk that our independent auditors will not be able to conclude at that time that our internal controls over financial reporting are effective as required by Section 404 of the Act.

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
32	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.

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: August 16, 2010

/s/ Clark M. 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