

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

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

(Mark One)

Annual report pursuant to Section 13 or 15 (d) of the Securities Exchange Act of 1934
For the fiscal year ended **December 31, 2007**

OR

Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the transition period from ___ to ___

Commission File Number **0-19437**

SAFESTITCH MEDICAL, INC.
(formerly CELLULAR TECHNICAL SERVICES COMPANY, INC.)

(Name of Small Business Issuer as Specified in Its Charter)

Delaware

(State or Other Jurisdiction of
Incorporation or Organization)

11-2962080

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

4400 Biscayne Blvd. Suite 670 Miami, Florida, 33137

(Address of Principal Executive Offices) (Zip Code)

Issuer's Telephone Number, Including Area Code: **(305) 575-6000**

Securities registered under Section 12(b) of the Exchange Act: **None**

Securities registered under Section 12(g) of the Exchange Act:

Common Stock, \$0.001 par value per share

(Title of Class)

Check whether the issuer is not required to file reports pursuant to Section 13 or 15(d) of the Exchange Act

Check whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to the filing requirements for the past 90 days.

Yes No

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B contained herein in any form, and, no disclosure will be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB

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

Yes No

The Issuer had no revenue for the fiscal year ended December 31, 2007

The aggregate market value of the Registrant's common stock, par value \$0.001 per share, held by non-affiliates is approximately \$13,278,656, based upon the February 6, 2008 closing price of \$3.95 per share as reported on the over-the-counter bulletin board.

As of March 20, 2008 there were 16,093,016 shares of Common Stock, \$0.001 par value outstanding.

Transitional Small Business Disclosure Format

Yes No

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This Amendment No. 1 to our Annual Report on Form 10-KSB/A contains certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 (“PSLRA”), Section 27A of the Securities Act of 1933, as amended (the “Securities Act”) and Section 21E of the Securities Exchange Act of 1934, as amended, (the “Exchange Act”), about our expectations, beliefs or intentions regarding our product development efforts, business, financial condition, results of operations, strategies or prospects. You can identify forward-looking statements by the fact that these statements do not relate strictly to historical or current matters. Rather, forward-looking statements relate to anticipated or expected events, activities, trends or results as of the date they are made. Because forward-looking statements relate to matters that have not yet occurred, these statements are inherently subject to risks and uncertainties that could cause our actual results to differ materially from any future results expressed or implied by the forward-looking statements. Many factors could cause our actual activities or results to differ materially from the activities and results anticipated in forward-looking statements. These factors include those set forth below as well as those contained in “Item 1A — Risk Factors” of our Annual Report on Form 10-KSB filed with the Securities and Exchange Commission on March 26, 2008. We do not undertake any obligation to update forward-looking statements. We intend that all forward-looking statements be subject to the safeharbor provisions of PSLRA. These forward-looking statements are only predictions and reflect our views as of the date they are made with respect to future events and financial performance.

Risks and uncertainties, the occurrence of which could adversely affect our business, include the following:

- We have a history of operating losses and we do not expect to become profitable in the near future.
- Our technologies are in an early stage of development and are unproven.
- Our research and development activities may not result in commercially viable products.
- We are highly dependent on the success of our product candidates, and we cannot give any assurance that they will receive regulatory clearance, or approval, if necessary, or be successfully commercialized.
- The results of previous clinical experience with devices similar to the devices that we have licensed may not be predictive of results with our licensed products, and any clinical trials that the U.S. Food and Drug Administration (the “FDA”) may require us to undertake may not satisfy FDA requirements or the requirements of other non-U.S. regulatory authorities.
- We will require substantial additional funding, which may not be available to us on acceptable terms, or at all.
- If our competitors develop and market products that are more effective, safer or less expensive than our future product candidates, our commercial opportunities will be negatively impacted.
- Our product development activities could be delayed or stopped.
- The regulatory clearance or approval process is expensive, time-consuming and uncertain and may prevent us or our collaboration partners from obtaining clearance, or approval, if necessary, for the commercialization of some or all of our product candidates.
- Even if we obtain regulatory clearances or approvals for our product candidates, the terms thereof and ongoing regulation of our products may limit how we manufacture and market our product candidates, which could materially impair our ability to generate anticipated revenues.
- Even if we receive regulatory clearances or approvals to market our product candidates, the market may not be receptive to our products.
- If we fail to attract and retain key management and scientific personnel, we may be unable to successfully develop or commercialize our product candidates.

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- As we evolve from a company primarily involved in development to a company also involved in commercialization, we may encounter difficulties in managing our growth and expanding our operations successfully.
- If we fail to acquire and develop other products or product candidates at all or on commercially reasonable terms, we may be unable to diversify or grow our business.
- We will rely on third parties to manufacture and supply our product candidates.
- We currently do not have a marketing staff or sales or distribution organization. If we are unable to develop our sales and marketing and distribution capability on our own or through collaborations with marketing partners, we will not be successful in commercializing our product candidates.
- Independent clinical investigators and contract research organizations that we engage to conduct our clinical trials may not be diligent, careful or timely.
- The success of our business may be dependent on the actions of our collaborative partners.
- All of our current product plans are licensed to us by Creighton University. Any loss of our rights under the agreement with Creighton University or any failure by Creighton University to properly maintain or enforce the patents under such licenses would materially adversely affect our business prospects.
- An inability to find additional or other sources for our products could materially and adversely affect us.
- If we or Creighton University are unable to obtain and enforce patent protection for our product candidates, our business could be materially harmed.
- If we or Creighton University are unable to protect the confidentiality of our proprietary information and know-how, the value of our technology and products could be adversely affected.
- Our commercial success depends significantly on our ability to operate without infringing the patents and other proprietary rights of third parties.
- Future legislative or regulatory reform of the health care system may affect our ability to sell our products profitably.
- Failure to obtain regulatory clearance or approval outside the United States will prevent us from marketing our product candidates abroad.
- Non-U.S. governments often impose strict price controls, which may adversely affect our future profitability.
- Our business may become subject to economic, political, regulatory and other risks associated with international operations.
- The market price of our common stock may fluctuate significantly.
- Trading of our common stock is limited and trading restrictions imposed on us by applicable regulations and by lockup agreements we have entered into with our principal stockholders may further reduce our trading, making it difficult for our stockholders to sell their shares.
- Because our common stock may be a “penny stock,” it may be more difficult for investors to sell shares of our common stock, and the market price of our common stock may be adversely affected.

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- Directors, executive officers, principal stockholders and affiliated entities own a significant percentage of our capital stock, and they may make decisions that you do not consider to be in your best interests or in the best interests of our stockholders.
- Compliance with changing regulations concerning corporate governance and public disclosure may result in additional expenses.

* * * * *

The Company files its periodic reports with the U.S. Securities and Exchange Commission (the “SEC”) in compliance with the “small business issuer” provisions of Regulation S-B promulgated under the Exchange Act. Generally, a small business issuer cannot file under Regulation S-B if its annual revenues or public float exceed \$25.0 million for two consecutive years. Because neither the Company’s annual revenues or public float exceeded \$25.0 million for the fiscal years ended December 31, 2006 and 2007, the Company qualifies as a Regulation S-B filer. Regulation S-B is tailored for the small business issuer, and although it requires accurate and complete disclosure, it does not require certain specific disclosures which are required under Regulation S-K and Regulation S-X.

Explanatory Note

SafeStitch Medical, Inc. (the “Company”) is filing this Amendment No. 1 (this “Amendment No. 1”) to its Annual Report on Form 10-KSB for the fiscal year ended December 31, 2007, which was originally filed on March 26, 2008 (the “Original Filing”). This Amendment No. 1 is being filed solely to amend Items 7 and 8A(T) of Part II of the Original Filing. The corrections to Item 7 had no impact on the Company’s Assets, Liabilities, Stockholders’ Equity, Net Loss, Operating Cash Flows or Net Cash Flows as of and for the years ended December 31, 2007 and 2006 and the for the period from September 15, 2005 (inception) through December 31, 2007 as reported in the Original Filing. The changes to Item 7 include the following corrections:

- the Consolidated Statements of Operations for the years ended December 31, 2007 and 2006, in which we have corrected the weighted average shares outstanding and corresponding basic and diluted net loss per share calculations for the years ended December 31, 2007 and 2006. This Amendment No. 1 corrects basic and diluted net loss per share for the years ended December 31, 2007 and 2006 to \$(0.24) and \$(0.09), respectively, from \$(0.19) and \$(0.07) as reported in the Original Filing;
- the Consolidated Statements of Cash Flows for the years ended December 31, 2007 and 2006 and the for the period from September 15, 2005 (inception) through December 31, 2007 (where certain cash flows have been reclassified as financing activities instead of investing activities); and
- the Notes to Consolidated Financial Statements (where we have (i) expanded Note L to disclose the portion of our net operating losses that are deferred under Section 195 of the Internal Revenue Code of 1986, as amended, to delete the tabular references to Research and development credit carryforward, and to correct the proforma disclosures of the deferred tax asset as if SafeStitch LLC was a C-Corp from inception, and (ii) added Note O to quantify the effect of these corrections to the aforementioned Financial Statements).

In addition, in the Consolidated Balance Sheet as of December 31, 2007, we have a corrected a rounding error to the entry “Total Other Assets” so that it now reads “1,758” instead of “1,759” as set forth in the Original Filing. In light of the errors cited above, we have reconsidered the effectiveness of our controls and procedures at December 31, 2007 and have amended Item 8A(T) of Part II of the Original Filing to address this reconsideration.

Pursuant to Rule 12b-15 under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), this Amendment No. 1 amends the aforementioned items in their entirety and contains new certifications pursuant to Rules 13a-14 and 15d-14 under the Exchange Act and Section 302 of the Sarbanes-Oxley Act of 2002. Other than as set forth above and the inclusion of new certifications pursuant to Rules 13a-14 and 15d-14 under the Exchange Act and Section 302 of the Sarbanes-Oxley Act of 2002, no other changes or amendments to the Original Filing are being made.

Except for the amendments described above, this Form 10-KSB/A does not modify or update other disclosures in, or exhibits to, the Original Filing. This Amendment No. 1 contains only the sections and exhibits to the Original Filing that are being amended, and those unaffected parts or exhibits are not included in this Amendment No. 1. This Amendment No. 1 continues to speak as of the date of the Original Filing and the Company has not updated the disclosure contained herein to reflect events that have occurred since the date of the Original Filing. Accordingly, this Amendment No. 1 should be read in conjunction with the Company’s other filings made with the Securities and Exchange Commission, and is subject to updating and supplementing as provided in the periodic reports that the Company has filed and will file after the date of the Original Filing with the Securities and Exchange Commission.

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Item 7. Financial Statements

The following financial statements of SafeStitch Medical, Inc. are included as required to be filed by Item 7 of Regulation S-B, under the Exchange Act.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders

SafeStitch Medical, Inc

We have audited the accompanying consolidated balance sheet of SafeStitch Medical, Inc. (formerly known as Cellular Technical Services Company, Inc.) (a development stage company) (the "Company") as of December 31, 2007, and the related statements of operations, stockholders' equity, and cash flows for the years ended December 31, 2007 and 2006 and for the period from September 15, 2005 (inception) through December 31, 2007. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audits include consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2007 and the consolidated results of their operations and cash flows for years ended December 31, 2007 and 2006 and for the period from September 15, 2005 (inception) through December 31, 2007, in conformity with accounting principles generally accepted in the United States of America.

/s/ Eisner LLP

New York, New York

March 26, 2008

Except for Note O, as to which the date

is April 24, 2008

SAFESTITCH MEDICAL, INC.
(A Developmental Stage Company)
CONSOLIDATED BALANCE SHEET
(in 000s, except share and per share data)

	December 31, 2007
CURRENT ASSETS	
Cash and cash equivalents	\$ 631
Prepaid Expenses	99
Total Current Assets	730
FIXED ASSETS	
Property and equipment, net	196
OTHER ASSETS	
Security Deposits	56
Deferred Finance Cost	1,702
Total Other Assets	1,758
LONG-TERM INVESTMENT, net of valuation adjustment of \$1,754	0
TOTAL ASSETS	\$ 2,684
CURRENT LIABILITIES	
Accounts payable and accrued liabilities	\$ 253
Total Current Liabilities	253
Shareholder Loans	10
Commitments and contingencies (Note I)	
STOCKHOLDERS' EQUITY	
Preferred Stock, \$.01 par value per share, 25,000,000 shares authorized, none issued and outstanding (effective January 8, 2008)	0
Common Stock, \$.001 par value per share, 225,000,000 shares authorized, 16,093,016 shares issued and outstanding (effective January 8, 2008)	16
Additional Paid-in Capital	6,582
Deficit accumulated during the development stage	(4,177)
Total Stockholders' Equity	2,421
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 2,684

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

SAFESTITCH MEDICAL, INC.
(A Developmental Stage Company)
CONSOLIDATED STATEMENTS OF OPERATIONS
(in 000s, except share and per share amounts)

	Year Ended December 31,		September 15, 2005 (Inception) to December 31, 2007
	<u>2007</u> (restated)	<u>2006</u> (restated)	
REVENUES			
COSTS AND EXPENSES			
Research & Development	\$ 1,636	\$ 739	\$ 2,451
General and administrative	<u>1,135</u>	<u>340</u>	<u>1,475</u>
Total Costs and Expenses	<u>2,771</u>	<u>1,079</u>	<u>3,926</u>
LOSS FROM OPERATIONS	(2,771)	(1,079)	(3,926)
OTHER INCOME (NET)			
INTEREST INCOME	34	19	53
AMORTIZATION OF FINANCE COSTS	(283)		(283)
INTEREST EXPENSE	<u>(21)</u>		<u>(21)</u>
NET LOSS	<u>\$ (3,041)</u>	<u>\$ (1,060)</u>	<u>\$ (4,177)</u>
BASIC AND DILUTED PER SHARE DATA:			
NET LOSS	<u>\$ (0.24)</u>	<u>\$ (0.09)</u>	
WEIGHTED AVERAGE SHARES OUTSTANDING:	<u>12,767,000</u>	<u>11,256,000</u>	

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

SAFESTITCH MEDICAL, INC.

(A Developmental Stage Company)

Statement of Stockholder's Equity for the period September 15, 2005 (inception) through December 31, 2007

(in 000s)

	<u>Preferred Stock</u>		<u>Common Stock</u>		<u>Additional Paid-In Capital</u>	<u>Deficit Accumulated During the Development Stage</u>	<u>Total</u>
	<u>Shares</u>	<u>Amount</u>	<u>Shares</u>	<u>Amount</u>			
Inception-September 15, 2005							<u>—</u>
Capital Contributed -					\$ 1		\$ 1
Net Loss						\$ (76)	(76)
Balance at December 31, 2005					1	(76)	(75)
Capital Contributed -			11,256	\$ 11	1,493		1,504
Net Loss						(1,060)	(1,060)
Balance at December 31, 2006	<u>—</u>	<u>\$ —</u>	<u>11,256</u>	<u>\$ 11</u>	<u>\$ 1,494</u>	<u>\$ (1,136)</u>	<u>\$ 369</u>
Exercise of options (CTS)- September 23, 2007 at \$0.79 per share			42	0	35		35
Stock-Based Compensation- September 4, 2007					77		77
Issuance shares in recapitalization - September 4, 2007 at \$0.64 per share			4,795	5	3,078		3,083
SafeStitch expenses associated with recapitalization					(156)		(156)
Stock based compensation					65		65
Warrants issued in connection with credit facility-September 4, 2007 at \$2.46 per share					1,985		1,985
Rule 16 payment received					4		4
Net loss						(3,041)	(3,041)
Balance at December 31, 2007	<u>—</u>	<u>\$ —</u>	<u>16,093</u>	<u>\$ 16</u>	<u>\$ 6,582</u>	<u>\$ (4,177)</u>	<u>\$ 2,421</u>

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

SAFESTITCH MEDICAL, INC.
(A Developmental Stage Company)
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in 000's)

	Year Ended		September 15, 2005 (Inception) to December 31, 2007
	2007 (restated) (Note O)	2006	(restated) (Note O)
OPERATING ACTIVITIES			
Net loss	\$ (3,041)	\$ (1,060)	\$ (4,177)
Adjustments to reconcile net loss to net cash used in operating activities:			
Amortization of Deferred Finance Costs	283		283
Stock-Based Compensation Expense	142		142
Depreciation	4		4
(Increase) in other current assets	(79)		(79)
(Increase) in other assets	(56)		(56)
Increase (Decrease) in accounts payable and accrued liabilities	(199)	153	(32)
NET CASH USED IN OPERATING ACTIVITIES	(2,946)	(907)	(3,915)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of equipment	(200)		(200)
Payment received under Rule 16b	4		4
NET CASH PROVIDED BY INVESTING ACTIVITIES	(196)	0	(196)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net cash provided in connection with the acquisition of SafeStitch LLC	3,192		3,192
Capital Contributions		1,430	1,431
Shareholders Loans			84
Exercise of Options	35		35
NET CASH PROVIDED BY FINANCING ACTIVITIES	3,227	1,430	4,742
NET INCREASE IN CASH AND CASH EQUIVALENTS	85	523	631
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	546	23	0
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 631	\$ 546	\$ 631
Supplemental disclosure of non cash activities:			
Shareholder loan contributed to capital	\$ 74		\$ 74

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

SAFESTITCH MEDICAL, INC.

(A Developmental Stage Company)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE A — BASIS OF PRESENTATION AND LIQUIDITY:

Cellular Technical Services Company, Inc., (“Cellular”) a non-operating public company was incorporated in 1988 as NCS Ventures Corp. under the laws of the State of Delaware.

On July 25, 2007 Cellular entered into a Share Transfer, Exchange and Contribution Agreement with SafeStitch LLC (“SafeStitch”) a limited liability company formed in Virginia on September 15, 2005. On September 4, 2007, Cellular acquired all of the members’ equity of SafeStitch in exchange for 11,256,369 shares of its common stock, which represented a majority of outstanding shares after the date of acquisition. For accounting purposes, the acquisition has been treated as a recapitalization of SafeStitch, with SafeStitch as the acquirer (reverse acquisition). The historical financial statements prior to September 4, 2007 are those of SafeStitch, which began operations on September 15, 2005. The accompanying financial statements give retroactive effect to the recapitalization as if it had occurred on September 15, 2005 (inception). Effective January 8, 2008 Cellular changed its name to SafeStitch Medical, Inc. (“Medical” or “the Company”)

The Company is a developmental stage medical device company focused on the development of medical devices that manipulate tissues for obesity, gastroesophageal reflux disease (“GERD”), Barrett’s Esophagus, esophageal obstructions, upper gastrointestinal bleeding, hernia formation and other intraperitoneal abnormalities through endoscopic and minimally invasive surgery.

The accompanying financial statements have been prepared assuming that it will continue as a going concern. For the period from September 15, 2005 (inception) through December 31, 2007, the Company has accumulated a deficit of \$4,177,000 and has not generated positive cash flows from operations. The Company has been dependent upon equity financing and advances from stockholders to meet its obligations and sustain operations. The Company’s efforts had been principally devoted to the development of its technologies and commercializing its products. Management believes that based upon its current cash position, its budget for its business operations through December 31, 2008, an outstanding line of credit of \$4.0 million from The Frost Group LLC and the Company’s President and CEO, Jeffrey G. Spragens and monitoring its discretionary expenditures; the Company will be able to continue operations through December 31, 2008. The Company’s ability to continue as a going concern is ultimately dependent upon achieving profitable operations and generating sufficient cash flows from operations to meet future obligations.

NOTE B — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

[1] Consolidation:

The consolidated financial statements include the accounts of the Company and its subsidiaries Isis Tele-Communications, Inc. and SafeStitch LLC. All inter-company accounts and transactions have been eliminated in consolidation.

[2] Cash and cash equivalents:

We consider all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

[3] Property and Equipment:

Property and equipment are carried at cost less accumulated depreciation. Major additions and improvements are capitalized, while maintenance and repairs that do not extend the lives of the assets are expensed.

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Gain or loss, if any, on the disposition of fixed assets is recognized currently in operations. Depreciation is calculated primarily on a straight-line basis over estimated useful lives of the assets.

[4] Research and development:

Substantially all research and development activities are outsourced (see Note J). Research and development costs represent principally clinical trials and manufacturing development expenses, which are charged to expense as incurred.

[5] Patent costs:

Costs incurred in connection with acquiring patent rights and the protection of proprietary technologies are charged to expense as incurred.

[6] Use of 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, such as useful lives of property and equipment, that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of expenses during the reporting period. Actual results could differ from those estimates.

[7] Stock-based compensation:

Commencing January 1, 2006, Medical has adopted Statement of Financial Accounting Standards (“SFAS”) No. 123R, “Share Based Payment” (“SFAS 123R”), which requires all share-based payments, including grants of stock options, to be recognized in the income statement as an operating expense, based on their fair values.

[8] Fair value of financial instruments:

The carrying amounts of cash, accounts payable, and accrued expenses approximate fair value based on their short-term maturity. Shareholder loans are carried at cost since these are related parties.

[9] Long-Term Investment

In accordance with SFAS No. 144, “Accounting for the impairment or Disposal of Long-Lived Assets”, the Company reviews the carrying values of its long-lived assets for possible impairment whenever events of changes in circumstances indicate that the carrying amounts of the assets may not be recoverable. Any long-lived assets held for disposal are reported at the lower of their carrying amounts or fair value less costs to sell.

[10] Income taxes:

The Company follows the liability method of accounting for income taxes, as set forth in SFAS No. 109, “Accounting for Income Taxes”. SFAS No. 109 prescribes an asset and liability approach, which requires the recognition of deferred tax liabilities and assets for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of the assets and liabilities. The Company’s policy is to record a valuation allowance against deferred tax assets, when the deferred tax asset is not recoverable. The Company considers estimated future taxable income or loss and other available evidence when assessing the need for its deferred tax valuation allowance.

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[11] Comprehensive income (loss):

SFAS No. 130, "Reporting Comprehensive Income (Loss)", requires companies to classify items of other comprehensive income (loss) in a financial statement. Comprehensive income (loss) is defined as the change in equity of a business enterprise during a period from transactions and other events and circumstances from non-owner sources. The Company's comprehensive net loss is equal to its net loss for all periods presented.

NOTE C — PROPERTY AND EQUIPMENT:

Machinery and equipment consist of the following (in thousands):

	<u>December 31, 2007</u>	<u>Estimated Useful lives</u>
Machinery and equipment	160	5 years
Furniture and fixtures	40	5 years
	00	
Accumulated depreciation and amortization	(4)	
	<u>\$196</u>	

Depreciation and amortization expense for the years ended December 31, 2007 and 2006 was \$ 4 and \$ 0, respectively.

NOTE D — LONG TERM INVESTMENT:

In November 1999, the Company invested in a one-year, \$1.0 million 10% convertible note of KSI, Inc. ("KSI"). The Company also received warrants to purchase KSI common stock in connection with this investment. All of the outstanding stock of KSI was acquired by TruePosition, Inc., a majority owned subsidiary of Liberty Media Corporation, ("Liberty Media") in August 2000. Prior to the acquisition, the convertible note was exchanged for KSI common stock. The Company exercised warrants and purchased additional KSI common stock for approximately \$754,000. The Company's investment in KSI common stock was exchanged for TruePosition common stock on the date of the acquisition. The Company accounts for the investment in TruePosition using the cost method. In December 2002 the Company received certain valuation information from TruePosition, indicating a range of values for TruePosition. Based upon its review of available information and communications with Liberty Media, the Company concluded there had been an other-than-temporary decline in estimated fair value of its investment, and reduced the recorded carrying value of this investment from its cost basis of \$1,754,000 to zero, representing its best estimate of the current fair value of the Company's investment in the net equity of TruePosition. TruePosition's operations have required significant infusions of cash by Liberty Media to date, and have not generated significant revenues. The Company's investment in TruePosition common stock has been diluted by these advances, which were converted to preferred stock in late 2002. It is possible that in the future the Company may receive proceeds from sale of this investment, but no such amount can be estimated at this time.

NOTE E — STOCK BASED PAYMENTS:

Medical's 1996 Stock Option Plan authorizes the grant of both incentive ("ISO") and non-qualified stock options up to a maximum of 335,000 shares of Medical's Common Stock to employees (including officers and directors who are employees) of and consultants to Medical. The exercise price, term and vesting provision of each option grant is fixed by the Compensation Committee with the provision that the exercise price of an ISO may not be less than the fair market value of Medical's Common Stock on the date of grant, and the term of an ISO may not exceed ten years. Medical has not granted any options under this plan during the years ended December 31, 2007 and 2006. The plan expired and no new options may be granted under the plan.

As of the date of the share exchange, all options issued to former officers and directors, with exercise prices in excess of the current share price were cancelled in exchange for the issuance of 2,000 shares per person, or, in total, 6,000 shares of common stock of the Company. The Company recognized compensation expense of \$77,000 for the fair value of the shares vested.

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On November 13, 2007, the Board of Directors and a majority of the stockholders of the Company approved the SafeStitch Medical Inc., 2007 Incentive Compensation Plan (the "2007 Plan"). Under the 2007 Plan, which is administered by a compensation committee, the Company is allowed to grant options, stock appreciation rights, restricted or deferred stock grants employees, officers, directors, consultants and vendors to purchase up to 2,000,000 shares of the Company's common stock, fully reserved for future issuance. The exercise price of options or stock appreciation rights may not be less than fair market value of Company's share at the date of grant and within any 12 months period, no person can receive options or stock appreciation rights for more than one million shares. Additionally, no stock options or stock appreciation rights granted under the plan may have a term exceeding ten years.

No tax benefits were attributed to the stock-based compensation expense because a valuation allowance was maintained for substantially all net deferred tax assets. We elected to adopt the alternative method of calculating the historical pool of windfall tax benefits as permitted by FASB Staff Position (FSP) No. SFAS 123R-3, "Transition Election Related to Accounting for the Tax Effects of Share-Based Payment Awards." This is a simplified method to determine the pool of windfall tax benefits that is used in determining the tax effects of stock compensation in the results of operations and cash flow reporting for awards that were outstanding as of the adoption of SFAS 123R.

The following summarizes the activity of the Medical's stock options for the year ended December 31, 2007:

	Shares (in 000s)	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding at January 1, 2007	173	\$ 6.20	4.75	
Granted	89	2.60	9.95	
Exercised	(42)	0.79		
Canceled or expired	(131)	7.96		
Outstanding at December 31, 2007	89	\$ 2.60	9.96	\$ 177,000
Exercisable at December 31, 2007	22	\$ 2.60	9.96	\$ 59,000
Vested and expected to vest at December 31, 2007	59	\$ 2.60	9.96	\$ 118,000

The Company granted 88,667 options, outside of plans, during the year ended December 31, 2007, all of which had an exercise price of \$2.60. The Company determined the estimated aggregate fair value of these options on the grant date to be \$195,954 based on the Black-Scholes valuation model using the following assumptions: expected volatility of 82%, dividend yield of 0%, risk free interest rate of 4.88% and expected life of 10 years. Stock option compensation expense was \$66,000 for the year and is included in general and administrative expense.

Of the 88,667 options granted outside of plans during our 2007 fiscal year, 25% of such options were vested as of December 31, 2007. A summary of the status of the Company's nonvested options and changes during the year ended December 31, 2007 is presented below.

	Stock Options (in 000s)	Weighted Average Grant Date Fair Value
Non-Vested at January 1, 2007	0	\$ —
Options Granted	89	\$2.21
Options Vested	22	\$2.21
Non-Vested at December 31, 2007	67	\$2.21

At December 31, 2007, there was \$130,000 of total unrecognized compensation cost related to non-vested employee and director share-based compensation arrangements granted under the Plan. That cost is expected to be recognized over a weighted-average period of 2.66 years.

The weighted-average fair values at date of grant for options granted during the year ended December 31, 2007 were \$2.21.

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The intrinsic value of options exercised during the year ended December 31, 2007 was \$77,000.

NOTE F — CREDIT FACILITY:

In connection with the acquisition of SafeStitch, Medical entered into a Note and Security Agreement with both The Frost Group, LLC, a Florida limited liability company whose members include Frost Gamma Investments Trust, a trust indirectly controlled by Dr. Phillip Frost, the largest beneficial holder of the issued and outstanding shares of common stock of Medical, as well as Dr. Jane H. Hsiao and Steven D. Rubin, two of the Company's directors, and Jeffrey G. Spragens, Medical Chief Executive Officer and President and a director for \$4 million in total available borrowings, \$3.9 million from The Frost Group, LLC and \$100,000 from Mr. Spragens. The credit facility has been granted for 28 months and bears interest on outstanding borrowings under the line of credit at a 10% annual rate.

The Company granted a security interest in all presently existing and hereafter acquired or arising collateral in order to secure prompt, full and complete payment of the amounts due under the Credit Facility. The collateral includes all assets of the Company inclusive of intellectual property (patents, patent rights, trademarks, service marks, etc.).

As a part of the credit facility arrangements, Medical granted warrants to purchase 805,521 shares of our common stock to The Frost Group, LLC and Mr. Spragens. The fair value of the warrants were determined to be \$1,984,691 on the grant date based on the Black-Scholes valuation model using the following assumptions: expected volatility of 82%, dividend yield of 0%, risk free interest rate of 4.88% and expected life of 10 years. The fair values of the warrants were recorded as deferred financing cost and will be amortized over the life of the credit facility. Amortization expenses of deferred financing cost were \$283,083 for the year ended December 31, 2007.

NOTE G — CAPITAL TRANSACTIONS:

As described in Note A, on September 4, 2007, Medical acquired all of the member's equity of SafeStitch in exchange for the issuance of 11,256,369 shares of its common stock. For accounting purposes the transaction has been treated as a recapitalization of SafeStitch and all membership interests of SafeStitch were eliminated, ordinary shares received in exchange were recorded at par value and the difference between membership interest and the value of the ordinary shares received was recorded to additional paid-in capital to effect the transaction as of the beginning of the year. Additionally, as of the date of the transaction, net assets of Cellular, its ordinary shares and additional paid-in capital were recorded to reflect the transaction. SafeStitch incurred \$155,855 of transaction expenses, which were recorded as a reduction of additional paid-in capital.

NOTE H — BASIC AND DILUTED NET LOSS PER SHARE:

Basic net loss per common share is computed by dividing net loss by the weighted average number of common shares outstanding during the period. Diluted net loss per common share is computed giving effect to all dilutive potential common shares that were outstanding during the period. Diluted potential common shares consist of incremental shares issuable upon exercise of stock options and warrants. In computing diluted net loss per share for the year ended December 31, 2007 and 2006, no adjustment has been made to the weighted average outstanding common shares as the assumed exercise of outstanding options and warrants is anti-dilutive.

Potential common shares not included in calculating diluted net loss per share are as follows (in 000s):

	<u>December 31, 2007</u>	<u>December 31, 2006</u>
Stock options	89	173
Stock warrants	806	0
Total	<u>895</u>	<u>173</u>

NOTE I — COMMITMENTS AND CONTINGENCIES

The Company is obligated under various operating lease agreements for office space. Generally, the lease agreements require the payment of base rents plus escalations for increases in building operating costs and real estate taxes. Rental expense under operating leases amounted to \$23,675 and \$4,145 for the years ended December 31, 2007 and December 31, 2006, respectively.

At December 31, 2007, the Company was obligated under non-cancellable operating leases to make future minimum lease payments as follows:

<u>Year Ending December 31,</u>	
2008	\$119,747
2009	99,763
2010	99,763
2011	99,763
2012	99,761
Thereafter	0
	<u>\$518,797</u>

We are presently a plaintiff in a securities fraud and appraisal action in respect of our ownership of 191,118 shares of common stock of True Position, Inc., a Delaware corporation (referred to as “True Position”). This action was filed November 13, 2007 in the United States District Court for the District of Connecticut, and we and other plaintiffs party to the suit seek damages and other relief totaling \$80 million.

In August 2007, we were informed that that Liberty TP Acquisition, Inc., which held an aggregate of no less than 90% of True Position’s outstanding capital stock, was being merged into True Position. As a result of the merger, all of the issued and outstanding shares of common stock of True Position were cancelled, and True Position’s minority stockholders, including ourselves, became entitled to receive \$3.5116 in cash in exchange for each share held. We and other minority stockholders considered that the consideration payable in respect of our shares under the merger was not representative of the true value of our shares of True Position stock.

We have joined with certain other minority stockholders of True Position in bringing the aforementioned appraisal and securities fraud action, and, on August 10, 2007, we entered into a joint shareholder litigation governance and funding agreement (referred to as the funding agreement) with such stockholders. Under the funding agreement, we have agreed to fund a portion of the litigation expenses in connection with the appraisal and securities fraud action. To date, we have contributed approximately \$45,000, and we anticipate that we will be called upon to fund at least a similar, and possibly significantly greater, amount during our 2008 fiscal year. The extent to which we will be called upon to contribute additional funds is determined in part by the majority vote of those stockholders party to the funding agreement. We may elect to terminate our participation in the funding agreement upon ten days’ written notice to the administrative agent under the agreement. Upon termination, we would no longer be required to fund any amounts not already paid by us under the funding agreement, but we would lose all rights to participate under the funding agreement, including access to any additional work-product created after the date of termination. Additionally, if we elect to terminate our participation under the funding agreement, our portion of any proceeds from a favorable disposition of the litigation may be reduced. The outcome of this litigation is not now known, nor can it be reasonably predicted at this time.

NOTE J — NEW ACCOUNTING PRONOUNCEMENTS

In September 2006, the Financial Accounting Standards Board (“FASB”) issued SFAS No. 157, Fair Value Measurements, or SFAS 157, which defines fair value, establishes a framework for measuring fair value and requires additional disclosures about fair value measurements. SFAS 157 is effective for fiscal years beginning after November 15, 2007 with early adoption permitted; in November 2007, the FASB agreed to defer the effective date

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of SFAS 157 for one year for all nonfinancial assets and nonfinancial liabilities, except for those items that are recognized or disclosed at fair value in the financial statements on a recurring basis. Generally, the provisions of this statement should be applied prospectively as of the beginning of the fiscal year in which this statement is initially applied. We have determined that the adoption of SFAS 157 will not have a material effect on our consolidated financial statements.

In February 2007, FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities- including an amendment of FASB Statement 115", ("SFAS 159"). This statement provides companies with an option to report selected financial assets and liabilities at fair value. This statement is effective for fiscal years beginning after November 15, 2007 with early adoption permitted. We have determined that the adoption of SFAS 159 will not have a material affect on our consolidated financial position, results of operations, cash flows or financial statement disclosures.

In December 2007, the FASB issued FAS No. 160, "*Noncontrolling Interests in Consolidated Financial Statements-an amendment of ARB No. 51*". FAS No. 160 establishes accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. It clarifies that a noncontrolling interest in a subsidiary is an ownership interest in the consolidated entity that should be reported as equity in the consolidated financial statements. FAS No. 160 is effective for the Company in its fiscal year beginning January 1, 2009. The Company is currently evaluating the impact of FAS No. 160 on its consolidated financial position and results of operations.

In December 2007, the FASB issued FAS No. 141 R "*Business Combinations*". FAS No. 141R establishes principles and requirements for how the acquirer of a business recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed and any noncontrolling interest in the acquiree. FAS No. 141R also provides guidance for recognizing and measuring the goodwill acquired in a business combination and determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of a business combination. FAS No. 141R is effective for the Company in its fiscal year beginning January 1, 2009. While the Company has not yet evaluated this statement for the impact, if any, that FAS No. 141R will have on its consolidated financial position and results of operations, the Company will be required to expense costs related to any acquisitions after September 30, 2009.

NOTE K — AGREEMENT WITH CREIGHTON UNIVERSITY

On May 26, 2006, SafeStitch entered into an exclusive license and development agreement with Creighton University granting us a worldwide exclusive (even as to the university), with rights to sublicense, license to all our product candidates and associated know-how, including the exclusive right to manufacture, use and sell the product candidates.

During such time as we sell any product licensed under this agreement, we are obligated to pay Creighton University, on a quarterly basis, a royalty of 1.5% of the revenue collected worldwide from such sales, less certain amounts, including, without limitation, chargebacks, credits, taxes, duties and discounts or rebates. The agreement does not provide for minimum royalties.

We have agreed to invest in the aggregate, at least \$2.5 million over 36 months, beginning May 26, 2006, towards development of any licensed product, not including the first \$150,000 of costs related to the prosecution of patents, which we have done and SafeStitch has to pay to Creighton University 20 percent of its research and development expenditures as reimbursement for use of Creighton University's facilities.

Our failure to do so would have resulted in all rights in the licensed patents and know-how reverting back to the university. Through December 31, 2007, we had invested \$2,709,183 in the licensed products, inclusive of our costs to date relating to prosecution of patents. Pursuant to the agreement, we are entitled to exercise our own business judgment and sole and absolute discretion over the marketing, sale, distribution, promotion or other commercial exploitation of any licensed products, provided that if we have not commercially exploited or commenced development of a licensed patent and its associated know-how by the seventh anniversary of the later of the date of the agreement or the date such technology is disclosed to and accepted by us, then the licensed patent and associated know-how shall revert back to the university, with no rights retained by us, and the university will have the right to seek a third party with whom to commercialize such patent and associated know-how, unless we purchase one year extensions.

NOTE L — INCOME TAXES

The Company accounts for income taxes using the asset and liability method described in SFAS No. 109, "Accounting For Income Taxes," the objective of which is to establish deferred tax assets and liabilities for the temporary differences between the financial reporting and the tax bases of the Medical's assets and liabilities at enacted tax rates expected to be in effect when such amounts are realized or settled. A valuation allowance related to deferred tax assets is recorded when it is more likely than not that some portion or all of the deferred tax assets will not be realized. As a result of the share exchange transaction on September 4, 2007 with SafeStitch, LLC our net operating losses for Medical may be limited under Section 382 of the Internal Revenue Code due to a more than 50% change in ownership over a three year period.

At December 31, 2007, we have approximately \$506,000 of net operating loss carryforwards to offset future federal taxable income and a deferred tax asset of \$589,000 from certain operating expenses which have been deferred as start up costs under Sec. 195 for federal income tax purposes, subject to limitations for alternative minimum tax.

The net operating loss carryforwards expire in 2027.

The deferred federal tax asset, which amounted to \$476,000 at December 31, 2007, has been offset by a valuation allowance against the entire benefit due to management's uncertainty regarding the future profitability of our Company. The valuation allowance has been increased by \$476,000 in 2007.

The difference between income taxes at the statutory federal income tax rate and income taxes reported in the statements of operations are attributable to the following:

	<u>December 31, 2007</u>
Income tax benefit at the federal statutory rate	34.00%
State and local income taxes, net of effect on federal taxes	3.63
Increase in valuation allowance	<u>(37.63)</u>
Provision for income tax	<u>0%</u>

The deferred tax asset at December 31, 2007 consists of the following:

	<u>2007</u>
Net operating loss carryforward	\$ 202,000
Deferred start up costs	221,000
Stock-based compensation	<u>53,000</u>
	476,000
Less: Valuation allowance	<u>(476,000)</u>
Net deferred tax asset	<u>\$ 0</u>

For comparative purposes, the following table shows the proforma effect as if SafeStitch was a C-Corp from inception.

The deferred tax asset at December 31, 2007 and 2006 consists of the following:

	2007 Proforma	2006 Proforma
Net operating loss carryforward	\$ 923,000	\$ 299,000
Deferred start up costs	<u>649,000</u>	<u>128,000</u>
	1,572,000	427,000
Less: Valuation allowance	<u>(1,572,000)</u>	<u>(427,000)</u>
Net deferred tax asset	<u>\$ 0</u>	<u>\$ 0</u>

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At December 31, 2006, CTS had available for federal income tax purposes, net operating loss carryforwards of approximately \$54.1 million which expire through 2026, and research and development tax credits of approximately \$1.2 million that will expire through 2024. The Company has provided a valuation allowance of 100% of the net deferred tax asset related to the operating loss carryforwards and tax credits. Upon consummation of the share exchange with SafeStitch LLC, these net deferred tax assets along with net operating losses up to September 4, 2007 were forfeited in accordance with Section 382 of the Internal Revenue Code.

At December 31, 2006, CTS has AMT credits of \$53,000 to be utilized in future tax periods to the extent that the regular tax exceeds the AMT liability. Under Section 383 of the Internal Revenue Code, these AMT credits are forfeited due to change in control.

The Company adopted Financial Standards Board Interpretation No. 48 Accounting for Uncertainty in Income Taxes ("FIN 48") an interpretation of FASB Statement 109 ("SFAS 109") on January 1, 2007. The adoption of FIN48 did not have a material impact on our results or operations and financial position. At the adoption date of January 1, 2007, we did not have any unrecognized tax benefits.

Medical recognizes interest and penalties related to uncertain tax positions in general and administrative expense. As of December 31, 2007, the Company has not recorded any provisions for accrued interest and penalties related to uncertain tax positions.

Tax years 2003-2006 remain open to examination by the major taxing jurisdictions to which we are subject.

NOTE M — CONCENTRATION OF RISK

The Company's financial instruments that are exposed to concentrations of credit risk consist primarily of cash. The Company maintains its cash at financial institutions it considers to be of high credit quality. Cash balances with any one institution may exceed federally insured amounts.

For the years ended December 31, 2007 and 2006, one vendor represented approximately 43% of Company's expenses.

NOTE N — SUBSEQUENT EVENTS

On January 8, 2008, we changed our name from Cellular Technical Services Company, Inc. to SafeStitch Medical, Inc. On the same date, we increased the aggregate number of shares of all classes of capital stock that we may issue from 35,000,000 to 250,000,000, which is composed of 225,000,000 shares of common stock, par value \$0.001 per share, and 25,000,000 shares of preferred stock, par value \$0.01 per share

On March 10, 2008, we drew down \$1.0 million from our \$4.0 credit facility.

On March 18, 2008, we issued an aggregate of 95,500 options to purchase our common stock under the SafeStitch Medical, Inc. 2007 Incentive Compensation Plan, each at a strike price of \$3.10 per share. These options were issued as follows: each of our independent and non-employee directors, Kevin Wayne, Kenneth Heithoff, Dr. Jane Hsiao, Steven Rubin and Richard Pfenniger, received 10,000 options, except that Dr. Hsiao, Mr. Rubin and Mr. Pfenniger received an additional 5,000, 1,000 and 1,000 options, respectively, for their respective service as chairman of our Board of Directors, Compensation Committee and Audit Committee; and the remaining 33,500 options were issued to new and existing employees and consultants, including 5,000 to Jeffrey G. Spragens, our President and Chief Executive Officer, and 10,000 to Dr. Stewart B. Davis, our Chief Operating Officer and Secretary.

On March 24, 2008, we issued to new employees an aggregate of 53,000 options to purchase our common stock under the SafeStitch Medical, Inc. 2007 Incentive Compensation Plan, each at a strike price of \$3.00 per share.

Our principal corporate office is located at 4400 Biscayne Blvd, Suite 670, Miami, Florida. We rent this space from Frost Real Estate Holdings, LLC, which is a company controlled by Dr. Phillip Frost, our largest beneficial stockholder. We lease approximately 2,900 square feet under the lease agreement, which is for a five-year term that began on January 1, 2008, and requires annual rent of approximately \$91,000, which amount increases by approximately 4.5% per year.

NOTE O — REVISIONS TO PREVIOUSLY ISSUED FINANCIAL STATEMENTS

Subsequent to the filing of the Company's Form 10-KSB for the year ended December 31, 2007, Management, in consultation with the Company's Independent Auditors, identified a rounding error in the Consolidated Balance Sheet as of December 31, 2007. This error resulted in a \$1,000 overstatement of Total Other Assets, because \$1,759,000 was reported instead of \$1,758,000. This error had no impact on reported Total Assets or Total Liabilities and Stockholders' Equity.

Management also identified an error relating to the weighted average number of common shares outstanding disclosed in the Consolidated Statements of Operations for the years ended as of December 31, 2007 and 2006. Basic and diluted loss per share were calculated using the number of shares outstanding and to give effect for the recapitalization at December 31, 2007 and 2006, respectively, instead of using the weighted average number of shares outstanding during each of the years then ended. The following table summarizes the adjustments to the Company's Consolidated Statements of Operations for the years ended December 31, 2007 and 2006 to correct this error:

	<u>Net Loss (\$000)</u>	<u>Weighted average shares outstanding</u>	<u>Basic and diluted loss per share</u>
For the year ended December 31, 2007:			
As previously reported	\$ (3,041)	16,093,000	\$ (0.19)
Adjustment	—	(3,326,000)	(0.05)
As restated	<u>\$ (3,041)</u>	<u>12,767,000</u>	<u>\$ (0.24)</u>
For the year ended December 31, 2006:			
As previously reported	\$ (1,060)	16,050,000	\$ (0.07)
Adjustment	—	(4,794,000)	(0.02)
As restated	<u>\$ (1,060)</u>	<u>11,256,000</u>	<u>\$ (0.09)</u>

Management also identified the misclassification of certain items in the Consolidated Statements of Cash Flows. The cash flow associated with the merger of SafeStitch LLC transaction should have been classified as a financing activity. The Company's consolidated statement of cash flows for the year ended December 31, 2007 is unchanged. The following table summarizes the adjustments to the Company's Consolidated Statements of Cash Flows for the years ended December 31, 2007 and for the period from September 15, 2005 (inception) through December 31, 2007:

	<u>Reported</u>	<u>Adjustment</u>	<u>As Restated</u>
For the year ended December 31, 2007:			
Net cash used in operating activities	\$ (2,946)	—	\$ (2,946)
Net cash provided in connection with the acquisition of SafeStitch LLC	3,192	(3,192)	—
Cash used in other investing activities	(196)	—	(196)
Net cash provided by (used in) investing activities	2,996	(3,192)	(196)
Net cash provided in connection with the acquisition of SafeStitch LLC	—	3,192	3,192
Cash provided by other financing activities	35	—	35
Net cash provided by financing activities	35	3,192	3,227
Net increase in cash	\$ 85	—	\$ 85

September 15, 2005 (inception) to December 31, 2007:

Net cash used in operating activities	\$ (3,915)	—	\$ (3,915)
Net cash provided in connection with the acquisition of SafeStitch LLC	3,192	(3,192)	—
Cash used in other investing activities	(196)	—	(196)
Net cash provided by (used in) investing activities	2,996	(3,192)	(196)
Net cash provided in connection with the acquisition of SafeStitch LLC	—	3,192	3,192
Cash provided by other financing activities	1,550	—	1,550
Net cash provided by financing activities	1,550	3,192	4,742
Net increase in cash	\$ 631	—	\$ 631

SAFESTITCH LLC
(a development stage company)

FINANCIAL STATEMENTS

DECEMBER 31, 2006 and 2005

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Members
SafeStitch LLC

We have audited the accompanying statements of financial position of SafeStitch LLC (a development stage company) (the “Company”) as of December 31, 2006 and 2005, and the related statements of operations, changes in members’ equity (deficit) and cash flows for the year ended December 31, 2006, and for the periods from September 15, 2005 (inception) through December 31, 2005 and December 31, 2006. These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SafeStitch LLC as of December 31, 2006 and 2005, and the results of their operations and their cash flows for the year ended December 31, 2006, and for the periods from September 15, 2005 (inception) through December 31, 2005 and December 31, 2006 in conformity with accounting principles generally accepted in the United States of America.

/s/ Eisner LLP
New York, New York
March 26, 2008

SAFESTITCH LLC
(a development stage company)

Statements of Financial Position

	<u>December 31,</u>	
	<u>2006</u>	<u>2005</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 546,097	\$ 23,183
Total current assets	<u>\$ 546,097</u>	<u>\$ 23,183</u>
LIABILITIES AND MEMBERS' EQUITY (DEFICIT)		
Current liabilities:		
Loan from member	\$ 10,000	\$ 84,000
Accounts payable	<u>166,709</u>	<u>14,171</u>
Total current liabilities	<u>176,709</u>	<u>98,171</u>
MEMBERS' EQUITY (DEFICIT)		
Members' contributions	1,505,002	1,002
Deficit accumulated during development stage	<u>(1,135,614)</u>	<u>(75,990)</u>
Total members' equity (deficit)	<u>369,388</u>	<u>(74,988)</u>
	<u>\$ 546,097</u>	<u>\$ 23,183</u>

See notes to financial statements.

SAFESTITCH LLC
(a development stage company)

Statements of Operations

	Year Ended December 31, 2006	September 15, 2005 (inception) Through December 31, 2005	September 15, 2005 (inception) Through December 31, 2006
Operating expenses:			
Research and development costs	\$ 738,593	\$ 76,068	\$ 814,661
General and administrative	<u>340,596</u>	<u>41</u>	<u>340,637</u>
Total operating expenses	1,079,189	76,109	1,155,298
Other income:			
Interest income	<u>19,565</u>	<u>119</u>	<u>19,684</u>
Net loss	<u>\$ (1,059,624)</u>	<u>\$ (75,990)</u>	<u>\$ (1,135,614)</u>

See notes to financial statements.

SAFESTITCH LLC
(a development stage company)

Statements of Changes in Members' Equity (Deficit)

	<u>Members' Contributions</u>	<u>Deficit Accumulated During Development Stage</u>	<u>Total</u>
Contributions November 2005	\$ 1,002		\$ 1,002
Net loss for the period ended December 31, 2005		\$ (75,990)	(75,990)
Balance December 31, 2005	1,002	(75,990)	(74,988)
Contributions February - July 2006	1,430,000		1,430,000
Loan from a member reclassified to members' equity	74,000		74,000
Net loss for the period ended December 31, 2006		(1,059,624)	(1,059,624)
Balance December 31, 2006	<u>\$ 1,505,002</u>	<u>\$ (1,135,614)</u>	<u>\$ 369,388</u>

See notes to financial statements.

SAFESTITCH LLC
(a development stage company)

Statements of Cash Flows

	Year Ended December 31, 2006	September 15, 2005 (inception) Through December 31, 2005	September 15, 2005 (inception) Through December 31, 2006
Cash flows from operating activities:			
Net loss	\$ (1,059,624)	\$ (75,990)	\$ (1,135,614)
Adjustments to reconcile net loss to net cash used in operating activities:			
Changes in:			
Accounts payable	152,538	14,171	166,709
Net cash used in operating activities	<u>(907,086)</u>	<u>(61,819)</u>	<u>(968,905)</u>
Cash flows from financing activities:			
Loan from member		84,000	84,000
Contributions from members	1,430,000	1,002	1,431,002
Net cash provided by financing activities	<u>1,430,000</u>	<u>85,002</u>	<u>1,515,002</u>
Net increase in cash	522,914	23,183	546,097
Cash - beginning	<u>23,183</u>		
Cash - end	\$ 546,097	\$ 23,183	\$ 546,097

During 2006, the managing member's loan of \$74,000 was reclassified as a members' contribution.

Interest and taxes paid during the year ended December 31, 2006 and period ended December 31, 2005 were nil.

See notes to financial statements.

SAFESTITCH LLC
(a development stage company)

Notes to Financial Statements
December 31, 2006 and 2005

NOTE A — ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

SafeStitch LLC (the “Company”) was formed as a limited liability company pursuant to Articles of Organization in the Office of Virginia State Corporation Commission on September 15, 2005 and commenced operations on December 21, 2005. The Company is a development stage company that was formed to finance, develop, market and license or sell medical devices that manipulate tissues for obesity, gastro esophageal reflux disease (“GERD”), Barrett’s Esophagus, esophageal obstructions, upper gastrointestinal bleeding, hernia formation and other intraperitoneal abnormalities through endoscopic and minimally invasive surgery pursuant to the license and development agreement with Creighton University (Note C).

Based on management plans, these financial statements have been prepared under the “going concern” assumption which presumes that the Company will continue its existence.

The Company does not expect to have any current source of revenues. However, management believes that as the result of the share exchange with CTSC (Note H), the Company will have sufficient resources to fund its current cash flow requirements through December 31, 2007.

[1] Use of 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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

[2] Income taxes:

No provision or benefit for income taxes has been included in these financial statements since taxable income or loss passes through to, and is reportable by, the members individually.

[3] Cash and cash equivalents:

The Company considers all highly liquid investments with maturities of three months or less when purchased to be cash equivalents.

[4] Research and development costs:

Research and development costs are expensed as incurred.

NOTE B — CONSULTANTS

The Company entered into agreements with various consultants to provide consulting services effective September 1, 2006. The consultants will receive compensation on an hourly rate for services performed for the Company. The consultants shall also be reimbursed all reasonable expenses incurred on behalf of the Company. The agreements had various term dates which expired in 2007 and, in October 2007, were renewed for one year periods. Termination of the agreements prior to the expiration can only be executed by the events stated in the agreements. As of December 31, 2006 and 2005, consultant fees totaled \$523,186 and \$0 and are included in research and development costs.

SAFESTITCH LLC
(a development stage company)

Notes to Financial Statements
December 31, 2006 and 2005

NOTE C — LICENSE AND DEVELOPMENT AGREEMENT

On May 26, 2006, the Company entered into an exclusive license and development agreement with Creighton University granting a worldwide exclusive license, with rights to sublicense, to all our product candidates and associated know-how, including the exclusive right to manufacture, use and sell the product candidates. In accordance with the agreement, Creighton University is entitled to 1.5 percent of the licensed products' net sales. In accordance with the license and development agreement with Creighton University, the Company is to invest, in aggregate, at least \$2,500,000 within 36 months of the execution of this agreement towards the development of the licensed product, including reimbursement of Creighton University's overhead expenses, related to the Company's use of its facilities and calculated as 20% of the Company's direct development expenditures. If the Company fails to meet its development obligations, all rights in the licensed patent rights and associated know-how shall revert back to Creighton University.

NOTE D — DUE TO MEMBER

As of December 31, 2005, the managing member advanced \$84,000 to the Company in addition to its initial capital contribution. During 2006, \$74,000 of this advance was reclassified as a capital contribution. The outstanding balance as of December 31, 2006 is \$10,000, which will be reclassified as a capital contribution in 2008.

NOTE E — LEASE

The Company entered into a lease agreement on May 31, 2006. The lease agreement has a two-year term which expires on May 31, 2008. The rental payments are \$346 per month and are due on the first day of each month. As of December 31, 2006, the Company paid \$3,959 in rental payments which is included in general and administrative expenses on the statement of operations.

Future minimum lease payments on the operating lease for the remainder of the lease term is:

December 31, 2007	\$4,158
2008	\$1,733

NOTE F — CONCENTRATION OF CREDIT RISK

The Company maintains its cash balances in one bank. The balances are insured by the Federal Deposit Insurance Corporation up to \$100,000. As of December 31, 2006, the uninsured portion of the cash balances held at the banks was \$446,097.

SAFESTITCH LLC
(a development stage company)

Notes to Financial Statements
December 31, 2006 and 2005

NOTE G — NEW ACCOUNTING PRONOUNCEMENTS

In September 2006, FASB issued SFAS No. 157, “Fair Value Measurements” (“SFAS 157”), which defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. This statement is effective for financial statements issued for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. Earlier application is encouraged provided that the reporting entity has not yet issued financial statements for that fiscal year including financial statements for an interim period within that fiscal year. We have determined that the adoption of SFAS 157 will not have a material affect on our consolidated financial position, results of operations, cash flows or financial statement disclosures.

In February 2007, FASB issued SFAS No. 159, “The Fair Value Option for Financial Assets and Financial Liabilities- including an amendment of FASB Statement 115” (“SFAS 159”). This statement provides companies with an option to report selected financial assets and liabilities at fair value. This statement is effective for fiscal years beginning after November 15, 2007 with early adoption permitted. We have determined that the adoption of SFAS 159 will not have a material affect on our consolidated financial position, results of operations, cash flows or financial statement disclosures.

In December 2007, the FASB issued SFAS No. 141(R), “Business Combinations”. This statement replaces SFAS No. 141, Business Combinations. This statement retains the fundamental requirements in Statement 141 that the acquisition method of accounting (which Statement 141 called the purchase method) be used for all business combinations and for an acquirer to be identified for each business combination. This statement also establishes principles and requirements for how the acquirer: a) recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any non-controlling interest in the acquiree; b) recognizes and measures the goodwill acquired in the business combination or a gain from a bargain purchase and c) determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. SFAS No. 141(R) will apply prospectively to business combinations for which the acquisition date is on or after Company’s fiscal year beginning January 1, 2009.

In December 2007, the FASB issued SFAS No. 160, “Non-controlling Interests in Consolidated Financial Statements”. This statement amends ARB 51 to establish accounting and reporting standards for the non-controlling (minority) interest in a subsidiary and for the deconsolidation of a subsidiary. It clarifies that a non-controlling interest in a subsidiary is an ownership interest in the consolidated entity that should be reported as equity in the consolidated financial statements. The Company has not yet determined the impact, if any, that SFAS No. 160 will have on its consolidated financial statements. SFAS No. 160 is effective for the Company’s fiscal year beginning January 1, 2009.

NOTE H — SUBSEQUENT EVENTS

On September 4, 2007, Cellular Technical Services Company, Inc. (“CTSC”), a public company, acquired the Company pursuant to a Share Transfer, Exchange and Contribution Agreement, dated as of July 25, 2007 (referred to as the “Share Exchange Agreement”). The Share Exchange Agreement provided for the exchange of all issued and outstanding membership interests of the Company for 11,256,369 shares of CTSC’s common stock (the “Share Exchange”).

NOTE H — SUBSEQUENT EVENTS (CONTINUED)

The Share Exchange will be accounted for as a recapitalization of the Company pursuant to the Share Exchange Agreement. For accounting purposes, the Company is treated as the continuing reporting entity. Because the members of the Company end up with control of CTSC, the transaction would normally be considered a purchase by the Company. However, since CTSC is not a business, the transaction is not a business combination. Instead the transaction is accounted for as a recapitalization of the Company and the issuance of stock by the Company (represented by the outstanding shares of CTSC) for the assets and liabilities of the CTSC.

In connection with the consummation of the Share Exchange, CTSC entered into a Note and Security Agreement with a company controlled by the largest beneficial holder of CTSC and certain of the Company's directors, and the Chief Executive Officer, President and a director, for a credit line of up to \$4 million. The loan will bear 10% interest on the outstanding balance. In connection with entering into this line of credit, the CTSC granted warrants to purchase a total of 805,521 shares of the CTSC's common stock to the holders of the Note with an exercise price of \$.25, computed as stockholders' equity of CTSC after taking into consideration all accrued and contingent liabilities at the closing of the Share Exchange plus \$1,250,000 divided by the number of fully-diluted shares of CTSC after the Share Exchange, and having a ten-year term.

Item 8A(T). Controls and Procedures

The Company's management, with the participation of its Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) or 15d-15(e)) as of December 31, 2007. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that, as of that date, the Company's disclosure controls and procedures were not effective at a reasonable assurance level because of the identification of a material weakness in our internal control over financial reporting. Our remediation efforts are discussed further below under Management's Report on Internal Control over Financial Reporting.

There were no changes in the Company's internal control over financial reporting during the last quarter that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Management's Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Internal control over financial reporting includes those policies and procedures that: (i) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

For the period ended December 31, 2007, pursuant to Section 404 of the Sarbanes-Oxley Act of 2002, management (with the participation of our principal executive officer and principal financial officer) conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this evaluation, management concluded that, as of December 31, 2007, our internal control over financial reporting were not effective due to the material weakness disclosed below under "Changes in Internal Controls Over Financial Reporting and Management's Remediation Initiatives".

Changes in Internal Controls Over Financial Reporting and Management's Remediation Initiatives

As defined by Rule 12b-2 promulgated under the Securities Exchange Act of 1934, as amended, a "material weakness" is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the registrant's annual or interim financial statements will not be prevented or detected on a timely basis.

We identified the following material weakness in our internal control over financial reporting as we did not have adequate controls in place to establish and maintain an effective control environment. The following deficiency in the control environment constituted a material weakness:

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We did not maintain a sufficient complement of personnel with the appropriate level of knowledge, experience and training in the application of accounting principles generally accepted in the U.S. (referred to as GAAP) and in internal control over financial reporting commensurate with our financial reporting obligations under the Exchange Act. We did not maintain effective controls over the presentation of our consolidated financial statements and related disclosures in preparing our consolidated financial statements. This weakness was evidenced during the preparation of our Annual Report on Form 10-KSB for the fiscal year ended December 31, 2007 by the need for significant revisions to our consolidated financial statements and related disclosures in the notes thereto.

The corrections set forth in Item 7 to this Amendment No. 1 to our Annual Report on Form 10-KSB/A relate directly to the material weakness described above.

Upon identification of the material weakness, management advised our Audit Committee of the issues encountered and management's key decisions relating to remediation efforts. Under the direction of our Chief Executive Officer and Chief Financial Officer, we developed a plan to remediate the material weakness. Our Audit Committee reviewed, advised and concurred with management's plan of remediation, which includes the addition of employees who are trained in the preparation of financial statements in accordance with GAAP and who have the experience necessary to ensure that we have in place appropriate internal control over financial reporting.

Although this material weakness over preparation of the financial statements and related disclosures existed at year end, it has been corrected, and the consolidated financial statements in this Amendment No. 1 to our Annual Report on Form 10-KSB/A fairly present, in all material respects, our financial condition as of December 31, 2007 and 2006 and our results of operations and cash flows for the years ended December 31, 2007 and 2006, in conformity with GAAP.

While we have taken appropriate steps to remediate the material weakness described above, additional measures may be required. The effectiveness of our internal controls following our remediation efforts will not be known until we test those controls in connection with management's tests of internal control over financial reporting that will be performed after the close of our first fiscal quarter of 2008, ending March 30, 2008.

This annual report does not include an attestation report of our registered public accounting firm, Eisner LLP, regarding internal control over financial reporting. Management's report was not subject to attestation by our registered public accounting firm pursuant to temporary rules of the Securities and Exchange Commission that permit us to provide only management's report in this annual report.

PART III

Item 13. Exhibits

Exhibits:

- 3.1 Restated Certificate of Incorporation of the Registrant, as amended, filed as Annex A to our Definitive Information Statement on Schedule 14C filed with the SEC on December 7, 2007 and incorporated by reference herein.
- 3.2* Amended and Restated Bylaws of SafeStitch Medical, Inc.
- 4.1* Specimen Certificate for Common Stock of Registrant
- 4.2 Form of Common Stock Warrant, filed as Exhibit 4.1 to our Current Report on Form 8-K filed with the SEC on September 10, 2007 and incorporated by reference herein.
- 10.1+ 1996 Stock Option Plan filed with our Quarterly Report on Form 10-Q filed with the SEC on August 8, 1995 and incorporated by reference herein.
- 10.2+ Amendment to 1996 Stock Option Plan dated December 14, 1998, filed as Exhibit 7.8 to our Annual Report on Form 10-K filed with the SEC on March 30, 1999 and incorporated by reference herein.
- 10.3 Form of Lockup Agreement, filed as Exhibit 2.4 to our Current Report on Form 8-K filed with the SEC on July 31, 2007 and incorporated by reference herein.
- 10.4 Note and Security Agreement, dated as of September 4, 2007, by and among the Company, SafeStitch LLC, the Frost Group, LLC and Jeffrey G. Spragens, filed as Exhibit 10.2 to our Current Report on Form 8-K filed with the SEC on September 10, 2007 and incorporated by reference herein.
- 10.5* Exclusive License and Development Agreement, dated as of May 26, 2006, by and between Creighton University and SafeStitch LLC.
- 10.6+ Letter Agreement for Terms of Employment between SafeStitch LLC and Stewart B. Davis, M.D., dated May 16, 2007, filed as Exhibit 10.4 to our Current Report on Form 8-K filed with the SEC on September 10, 2007 and incorporated by reference herein.
- 10.7+ SafeStitch Medical, Inc. 2007 Incentive Compensation Plan, filed as Annex B to our Definitive Information Statement on Schedule 14C, filed with the SEC on December 7, 2007 and incorporated by reference herein.
- 14.1 Code of Ethics Pursuant to Section 406 of the Sarbanes-Oxley Act of 2002 filed as exhibit 14 to our Annual Report on Form 10-K filed with the SEC on March 30, 2005 and incorporated by reference herein.

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Exhibits:

21.1*	Subsidiaries of the Registrant
23.1**	Consent of Eisner LLP independent registered public accounting firm
31.1**	Certification of Chief Executive Officer pursuant to Rule 13a-14(a)/15d-14(a)
31.2**	Certification of Chief Financial Officer pursuant to Rule 13a-14(a)/15d-14(a)
32.1**	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2**	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

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- * Previously filed with our Form 10-KSB on March 26, 2008
 - ** Filed with this Form 10-KSB/A
 - + Compensation Plan or Arrangement or Management Contract

SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: April 24, 2008

SAFESTITCH MEDICAL, INC.

By: /s/ Jeffrey G. Spragens

Jeffrey G. Spragens

Chief Executive Officer and President

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (Registration Nos. 333-0849 and 333-44410) of our report dated March 26, 2008, except for Note O, as to which the date is April 24, 2008, with respect to our audits of the consolidated financial statements of SafeStitch Medical, Inc. (formerly known as Cellular Technical Services Company, Inc.) as of December 31, 2007 and for the years ended December 31, 2007 and 2006 and for the period from September 15, 2005 (inception) through December 31, 2007, included in the Annual Report in Form 10-KSB, as amended by Amendment No. 1 for the year ended December 31, 2007 filed with the Securities and Exchange Commission.

/s/ Eisner LLP
New York, New York
April 24, 2008

CERTIFICATIONS

I, Jeffrey G. Spragens, certify that:

1. I have reviewed this Annual Report on Form 10-KSB/A of SafeStitch Medical, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The small business issuer's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the small business issuer and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the small business issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the small business issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the small business issuer's internal control over financial reporting that occurred during the small business issuer's most recent fiscal quarter (the small business issuer's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The small business issuer's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the small business issuer's auditors and the audit committee of the small business issuer's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the small business issuer's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the small business issuer's internal control over financial reporting.

By: /s/ Jeffrey G. Spragens
Jeffrey G. Spragens
Chief Executive Officer
(Principal Executive Officer)
April 24, 2008

CERTIFICATIONS

I, Adam S. Jackson, certify that:

1. I have reviewed this Annual Report on Form 10-KSB/A of SafeStitch Medical, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The small business issuer's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the small business issuer and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the small business issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the small business issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the small business issuer's internal control over financial reporting that occurred during the small business issuer's most recent fiscal quarter (the small business issuer's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The small business issuer's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the small business issuer's auditors and the audit committee of the small business issuer's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the small business issuer's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the small business issuer's internal control over financial reporting.

By: /s/ Adam S. Jackson

Adam S. Jackson
Chief Financial Officer
April 24, 2008

**CERTIFICATION PURSUANT
TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the accompanying Annual Report on Form 10-KSB/A of SafeStitch Medical, Inc. for the fiscal year ended December 31, 2007 (the "Report"), the undersigned hereby certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge and belief, that:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of SafeStitch Medical, Inc.

By: /s/ Jeffrey G. Spragens
Jeffrey G. Spragens
Chief Executive Officer
(Principal Executive Officer)
April 24, 2008

The certification set forth above is being furnished as an Exhibit solely pursuant to Section 906 of the Sarbanes—Oxley Act of 2002 and is not being filed as part of the Report or as a separate disclosure document of SafeStitch Medical, Inc. or the certifying officers

**CERTIFICATION PURSUANT
TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the accompanying Annual Report on Form 10-KSB/A of SafeStitch Medical, Inc. for the fiscal year ended December 31, 2007 (the "Report"), the undersigned hereby certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge and belief, that:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of SafeStitch Medical, Inc.

By: /s/ Adam S. Jackson
Adam S. Jackson
Chief Financial Officer
April 24, 2008

The certification set forth above is being furnished as an Exhibit solely pursuant to Section 906 of the Sarbanes—Oxley Act of 2002 and is not being filed as part of the Report or as a separate disclosure document of SafeStitch Medical, Inc. or the certifying officers