

SRI SURGICAL EXPRESS INC
Form 10-Q
November 06, 2006
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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2006

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: 000-20997

SRI/Surgical Express, Inc.

(Exact name of registrant as specified in its charter)

Florida
(State of Incorporation)

59-3252632
(I.R.S. Employer

Identification No.)

12425 Race Track Road

Tampa, Florida 33626

(Address of Principal Executive Offices)

(813) 891-9550

(Registrant's Telephone Number)

Indicate by check whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act (Check One):

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Large accelerated filer Accelerated filer Non-accelerated filer .

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Number of outstanding shares of each class of registrant's common stock as of October 29, 2006:

Common Stock, par value \$.001 6,459,021

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Table of Contents**PART I FINANCIAL INFORMATION****Item 1. Financial Statements****SRI/SURGICAL EXPRESS, INC.****BALANCE SHEETS**

(In thousands)

	September 30, 2006 (unaudited)	December 31, 2005
ASSETS		
Cash and cash equivalents	\$ 509	\$ 653
Accounts receivable, net	10,358	11,354
Inventories, net	6,708	6,598
Prepaid expenses and other assets, net	2,355	1,671
Reusable surgical products, net	21,631	22,416
Property, plant and equipment, net	32,607	33,740
Total assets	\$ 74,168	\$ 76,432
LIABILITIES AND SHAREHOLDERS' EQUITY		
Notes payable to bank	\$ 2,500	\$ 3,229
Accounts payable	5,868	5,550
Employee related accrued expenses	1,330	1,296
Other accrued expenses	2,934	2,856
Mortgage payable	4,584	4,769
Bonds payable	7,885	8,380
Deferred tax liability, net	1,809	2,269
Total liabilities	26,910	28,349
Shareholders' equity		
Preferred stock-authorized 5,000,000 shares of \$0.001 par value; no shares issued and outstanding at September 30, 2006 and December 31, 2005.		
Common stock-authorized 30,000,000 shares of \$0.001 par value; issued and outstanding 6,459,021 at September 30, 2006 and 6,336,221 at December 31, 2005.	6	6
Additional paid-in capital	30,259	29,765
Retained earnings	16,993	18,312
Total shareholders' equity	47,258	48,083
Total liabilities and shareholders' equity	\$ 74,168	\$ 76,432

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

Table of Contents**SRI/SURGICAL EXPRESS, INC.****STATEMENTS OF OPERATIONS****(In thousands, except per share data)****(unaudited)**

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2006	2005	2006	2005
Revenues	\$ 23,111	\$ 22,593	\$ 70,034	\$ 69,052
Cost of revenues	17,780	16,915	53,610	51,579
Gross profit	5,331	5,678	16,424	17,473
Distribution expenses	1,464	1,583	4,553	4,671
Selling and administrative expenses	4,079	3,826	12,893	11,408
Income (loss) from operations	(212)	269	(1,022)	1,394
Interest expense, net	340	263	914	856
Income (loss) before income taxes	(552)	6	(1,936)	538
Income tax expense (benefit)	(313)	2	(617)	214
Net income (loss)	\$ (239)	\$ 4	\$ (1,319)	\$ 324
Earnings (loss) per share:				
Basic	\$ (0.04)	\$ 0.00	\$ (0.21)	\$ 0.05
Diluted	\$ (0.04)	\$ 0.00	\$ (0.21)	\$ 0.05
Weighted average common shares outstanding:				
Basic	6,339	6,263	6,338	6,263
Diluted	6,339	6,324	6,338	6,286

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

Table of Contents**SRI/SURGICAL EXPRESS, INC.****STATEMENTS OF CASH FLOWS****(In thousands)****(unaudited)**

	Nine Months Ended	
	September 30, 2006	September 30, 2005
Cash flows from operating activities:		
Net (loss) income	\$ (1,319)	\$ 324
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Depreciation and amortization	2,563	3,034
Amortization of reusable surgical products	3,530	4,031
Stock based compensation expense	478	
Provision for reusable surgical products shrinkage	965	1,396
Loss on disposal of property, plant and equipment		66
Deferred income taxes	(460)	52
Change in operating assets and liabilities:		
Decrease in accounts receivable, net	996	126
(Increase) decrease in inventories, net	(110)	453
Increase in prepaid expenses and other assets, net	(684)	(481)
Increase (decrease) in accounts payable	318	(1,403)
Increase (decrease) in employee related and other accrued expenses	112	(51)
Net cash provided by operating activities	6,389	7,547
Cash flows from investing activities:		
Purchases of property, plant and equipment	(1,430)	(616)
Purchases of reusable surgical products	(3,710)	(4,473)
Net cash used in investing activities	(5,140)	(5,089)
Cash flows from financing activities:		
Net repayment on notes payable to bank	(729)	(1,890)
Net repayment on mortgage payable	(179)	
Repayment of bonds payable	(495)	(495)
Proceeds from issuance of common stock	16	
Payments on obligation under capital lease	(6)	(121)
Net cash used in financing activities	(1,393)	(2,506)
Decrease in cash and cash equivalents	(144)	(48)
Cash and cash equivalents at beginning of period	653	413
Cash and cash equivalents at end of period	\$ 509	\$ 365
Supplemental cash flow information:		
Cash paid for interest	\$ 877	\$ 863
Cash paid for income taxes	\$ 475	\$ 696

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

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SRI/SURGICAL EXPRESS, INC.

NOTES TO FINANCIAL STATEMENTS

(unaudited)

NOTE A BASIS OF PRESENTATION

The accompanying unaudited financial statements of SRI/Surgical Express, Inc. (the Company) have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and with the Securities and Exchange Commission's (the SEC) instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they omit or condense footnotes and certain other information normally included in complete financial statements prepared in accordance with accounting principles generally accepted in the United States of America. In the opinion of management, all adjustments of a normal recurring nature that are necessary to present fairly the financial information for the interim periods reported have been made. The accompanying unaudited financial statements should be read in conjunction with the financial statements and notes included in the Company's Form 10-K for the year ended December 31, 2005, filed with the SEC. The results of operations for the three and nine months ended September 30, 2006, are not necessarily indicative of the results that can be expected for the entire year ending December 31, 2006.

The Company presents an unclassified balance sheet as a result of the extended amortization period (predominantly three to six years) of its reusable surgical products. The Company provides reusable surgical products to its customers on a per use basis similar to a rental arrangement.

The Company operates on a 52-53 week fiscal year ending the Sunday nearest December 31. The unaudited financial statements are reflected as of September 30, 2006 and 2005 for presentation purposes only. The actual end of each period was October 1, 2006 and October 2, 2005, respectively. There are 39 weeks included for each of the nine-month periods ended September 30, 2006 and September 30, 2005. There are 13 weeks included for each of the three-month periods ended September 30, 2006 and September 30, 2005.

NOTE B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates

Management is required to make estimates and assumptions during the preparation of financial statements and accompanying notes in conformity with accounting principles generally accepted in the United States of America. These estimates and assumptions affect the amounts reported in the financial statements and accompanying notes. Actual results could differ materially from those estimates and assumptions.

Accounts Receivable, net

The Company has accounts receivable from hospitals and surgery centers. The Company does not believe that there are substantial credit risks associated with those receivables and does not require any form of collateral from its customers. The allowance for doubtful accounts as of September 30, 2006, and December 31, 2005, was approximately \$340,000 and \$441,000, respectively. The allowance for doubtful accounts relates to accounts receivable not expected to be collected and is based on management's assessment of specific customer balances, the overall aging of the balances, and the financial stability of the customers. The Company's write-offs for uncollectable accounts (determined based on specific account evaluations) are insignificant to its results of operations. The Company does not customarily charge interest on accounts receivable.

Table of Contents*Inventories, net*

Inventories consist of raw materials, principally consumables, supplies, and disposable surgical products; work in progress; and finished goods consisting of company-assembled packs of various combinations of raw materials and reusable surgical products. Inventories are valued at the lower of cost or market, with cost being determined on the first-in, first-out method. As of September 30, 2006 and December 31, 2005, inventory consists of the following:

	September 30,	December 31,
	2006	2005
	(in 000 s)	
Raw materials	\$ 3,392	\$ 3,450
Work in progress	187	176
Finished goods	3,537	3,295
	7,116	6,921
Less: Inventory reserve	(408)	(323)
	\$ 6,708	\$ 6,598

Reusable Surgical Products, net

The Company's reusable surgical products, consisting principally of linens (gowns, towels, drapes), basins (stainless steel medicine cups, carafes, trays, basins), and owned surgical instruments, are stated at cost. Amortization of linens and basins is computed on a basis similar to the units of production method. Estimated useful lives for each product are based on the estimated total number of available uses for each product. The expected total available usage for its linen products using the three principal fabrics (accounting for approximately 85% of the reusable surgical products) is 75, 100, and 125 uses, based on several factors, including the Company's actual historical experience with these products. The Company believes Radio Frequency Identification (RFID) technology enables it to evaluate the useful lives of linen products more efficiently. Basins are amortized over their estimated useful life, which ranges from 25 to 200 uses. Owned surgical instruments are amortized straight-line over a period of four years. Accumulated amortization as of September 30, 2006, and December 31, 2005, was approximately \$12.2 million and \$12.4 million, respectively.

As of September 30, 2006, and December 31, 2005, the Company had reserves for shrinkage, obsolescence, and scrap related to reusable surgical products of approximately \$1.4 million and \$1.5 million, respectively.

Revenue Recognition

Revenues are recognized as the agreed upon products and services are delivered, generally daily. Packing slips signed and dated by the customer evidence delivery of product. The Company's contractual relationships with its customers are primarily evidenced by purchase orders or service agreements with terms varying from one to five years, which are generally cancelable by either party.

The Company owns substantially all of the reusable surgical products provided to customers except the surgical instruments. A third party provides most of the surgical instruments that are included in the Company's comprehensive surgical procedure-based delivery and retrieval service. The Company pays a fee to the third party for the use of the surgical instruments. In accordance with Emerging Issues Task Force (EITF) No. 99-19, *Reporting Revenue Gross as a Principal versus Net as an Agent*, the Company acts as a principal in this arrangement and has reported the revenue gross for the comprehensive surgical procedure-based delivery and retrieval service. The third party agent fee charged to the Company is included in cost of revenues in the statements of operations.

Table of Contents*Stock-Based Compensation*

Effective January 1, 2006, the Company adopted the provisions of Statement of Financial Accounting Standard No. 123R, *Share-Based Payment*, (SFAS 123R) for its share-based compensation plans. The Company previously accounted for these plans under the recognition and measurement principles of Accounting Principles Board Opinion No. 25, *Accounting for Stock Issued to Employees*, (APB 25) and related interpretations and disclosure requirements established by Statement of Financial Accounting Standard No. 123, *Accounting for Stock-Based Compensation*, (SFAS 123), as amended by Statement of Financial Accounting Standards No. 148, *Accounting for Stock-Based Compensation Transition and Disclosure*.

Under APB 25, no compensation expense was recorded in earnings for the Company's stock options granted under the Company's stock option plans. The pro forma effects on net income and earnings per share for stock options granted were instead disclosed in a footnote to the financial statements. Under SFAS 123R, all share-based compensation cost is measured at the grant date, based on the fair value of the award, and is recognized as an expense over the requisite service period.

The Company adopted SFAS 123R using the modified prospective method. Under this transition method, compensation cost to be recognized in fiscal year 2006 and later periods includes the cost for all share-based awards granted prior to, but not yet vested as of January 1, 2006. This cost was based on the grant-date fair value estimated in accordance with the original provisions of SFAS 123. The cost for all share-based awards granted subsequent to December 31, 2005, represents the grant-date fair value that was estimated in accordance with the provisions of SFAS 123R, utilizing the binomial (Lattice) model. Results for prior periods have not been restated. Stock-based compensation expense for the three-month and nine-month periods ended September 30, 2006 was \$151,000 and \$481,000, or \$123,000 and \$412,000 net of income tax, respectively, which contributed to a \$0.02 and \$0.07 reduction in basic and diluted earnings per share for the three-month and nine-month periods ended September 30, 2006, respectively.

The following table illustrates the effect on net income and earnings per share as if the Company had applied the fair-value recognition provisions of SFAS 123 to all of its share-based compensation awards for periods prior to the adoption of SFAS 123R (in thousands, except per share data):

	Three Months Ended September 30, 2005	Nine Months Ended September 30, 2005
Reported net income	\$ 4	\$ 324
Compensation expense, net of tax	(126)	(398)
Pro forma net loss for calculation of earnings per share	\$ (122)	\$ (74)
Earnings (loss) per share:		
Reported earnings per share - basic	\$ 0.00	\$ 0.05
Pro forma loss per share - basic	\$ (0.02)	\$ (0.01)
Reported earnings per share - diluted	\$ 0.00	\$ 0.05
Pro forma loss per share - diluted	\$ (0.02)	\$ (0.01)

There was \$0 and \$16,000 cash received from stock option exercises under all share-based payment arrangements for the three-month and nine-month periods ended September 30, 2006, respectively. There was no cash received from stock option exercises under all share-based payment arrangements for the three-month or nine-month periods ended September 30, 2005. There were no capitalized stock-based compensation costs at September 30, 2006.

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There were no modifications made to outstanding stock options before the adoption of SFAS 123R.

Stock Option Plans

The 1995 Stock Option Plan

The 1995 Stock Option Plan was designed to provide employees with incentive or non-qualified options to purchase up to 700,000 shares of common stock. The options vest ratably over four to five years from the date of the grant. All outstanding options vest upon a change in control of the Company. Options granted under this Plan expire no later than ten years after the date granted or sooner in the event of death, disability, retirement or termination of employment. As of September 30, 2006 and 2005, options to purchase 178,400 and 262,100 shares, respectively, were outstanding, and 0 and 192,700 options, respectively, were available to be granted under this Plan. The 1995 Stock Option Plan terminated on December 21, 2005, although that termination does not adversely affect any options outstanding under the Plan.

The 1996 Non-Employee Director Plan

As amended on May 16, 2001, the Non-Employee Plan is designed to provide for the grant of non-qualified stock options to purchase up to 200,000 shares of common stock to members of the Board of Directors who are not employees of the Company. At the completion of the Company's initial public offering, each non-employee director was granted options to purchase 4,000 shares of common stock for each full remaining year of the director's term. Thereafter, on the date on which a new non-employee director was first elected or appointed, he or she was automatically granted options to purchase 4,000 shares of common stock for each year of his or her initial term, and was granted options to purchase 4,000 shares of common stock for each year of any subsequent term to which he or she was elected. As of March 2006, the equity component of the director compensation plan was restructured, so that each non-employee director will receive an annual grant of options to purchase 7,500 shares of common stock as of the date of the Annual Shareholder Meeting, beginning with the 2006 Annual Meeting. All options become exercisable ratably over the director's three-year term and have an exercise price equal to the fair market value of the common stock on the date of grant. As of September 30, 2006 and 2005, options to purchase 182,000 and 177,500 shares, respectively, were outstanding, and 0 and 22,500 options, respectively, were available to be granted under this Plan. The 1996 Non-Employee Director Plan terminated on July 14, 2006, although that termination does not adversely affect any options outstanding under the Plan.

The 1998 Stock Option Plan

As amended on May 16, 2001, the 1998 Stock Option Plan is designed to provide employees with incentive or non-qualified options to purchase up to 600,000 shares of common stock. The options vest ratably over four to five years from the date of the grant. All outstanding options vest upon a change in control of the Company. Options granted under this Plan expire no later than ten years after the date granted or sooner in the event of death, disability, retirement, or termination of employment. As of September 30, 2006 and 2005, options to purchase 337,500 and 309,000 shares, respectively, were outstanding, and 243,084 and 270ock; MARGIN-LEFT: 9pt; TEXT-INDENT: 0pt; MARGIN-RIGHT: 0pt" align="left">CITIZENSHIP OR PLACE OF ORGANIZATION

United States

NUMBER OF
SHARES
BENEFICIALLY
OWNED BY
EACH
REPORTING
PERSON WITH
7

SOLE VOTING POWER
36,163 shares of Class B Stock
5 shares of Common Stock

8

SHARED VOTING POWER
125 shares of Class B Stock

9

SOLE DISPOSITIVE POWER
36,163 shares of Class B Stock
5 shares of Common Stock

10

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SHARED DISPOSITIVE POWER

125 shares of Class B Stock

11

AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

36,288 shares of Class B Stock

5 shares of Common Stock

12

CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN

SHARES

x

13

PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11).

1.8% of the outstanding Class B Stock and 0% of the outstanding Common Stock, together representing 1.4% of the voting power of Issuer's outstanding stock at October 31, 2010. If beneficially owned Class B Stock were converted to Common Stock, total ownership would represent 0.7% of the Common Stock outstanding at October 31, 2010.

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TYPE OF REPORTING PERSON

IN

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1 NAMES OF REPORTING PERSONS
Daniel S. Jaffee

2 CHECK THE APPROPRIATE BOX (a) ..
IF A MEMBER OF A GROUP (b) x

3 SEC USE ONLY

4 SOURCE OF FUNDS (see Instructions) OO

5 CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS ..
IS REQUIRED PURSUANT TO ITEM 2(d) OR 2(e)

6 CITIZENSHIP OR PLACE OF ORGANIZATION
United States

NUMBER OF	7	SOLE VOTING POWER
SHARES		287,153 shares of Class B Stock
BENEFICIALLY	8	SHARED VOTING POWER
OWNED BY		127 shares of Class B Stock
EACH	9	SOLE DISPOSITIVE POWER
REPORTING		152,038 shares of Class B Stock
PERSON WITH	10	SHARED DISPOSITIVE POWER
		125 shares of Class B Stock

11 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON
287,280shares of Class B Stock

12 CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES x

13 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11).
13.9% of the outstanding Class B Stock and 0% of the outstanding Common Stock, together representing 11.2% of the voting power of Issuer's outstanding stock at October 31, 2010. If beneficially owned Class B Stock were converted to Common Stock, total ownership would represent 5.3% of the Common Stock outstanding at October 31, 2010.

14 TYPE OF REPORTING PERSON
IN

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Item 1.

Security and Issuer

This Amendment No. 7 to this Schedule 13D relates to the Common Stock, par value \$.10 per share, of Oil-Dri Corporation of America, a Delaware corporation (the "Issuer"). Oil-Dri's principal executive offices are located at 410 North Michigan Avenue, Suite 400, Chicago, Illinois 60611-4213. In accordance with the rules of the Securities and Exchange Commission, this Amendment No. 7 to this Schedule 13D does not relate to the Class B Stock, par value \$.10 per share ("Class B Stock"), of the Issuer because the Class B Stock is not registered under Section 12 of the Securities Exchange Act of 1934, as amended; however, because the Class B Stock is convertible on a share for share basis into Common Stock at any time, at the option of the holder, and therefore represents a right to acquire Common Stock within 60 days, beneficial ownership of Class B Stock is shown in this Amendment No. 7 to this Schedule 13D in disclosing beneficial ownership of Common Stock. Each share of Class B Stock is entitled to 10 votes per share. Accordingly, this Amendment No. 7 to this Schedule 13D also presents for each Reporting Person the total voting power of the shares of Common Stock and Class B Stock held by such Reporting Person.

This Schedule 13D was last amended by Amendment No. 6, filed on June 30, 2008.

Item 2.

Identity and Background

(a) – (c) This Amendment No. 7 to this Schedule 13D is being filed on behalf of (i) Jaffee Investment Partnership, L.P., a Delaware limited partnership (the "Jaffee Investment Partnership"), (ii) Richard M. Jaffee, (iii) Shirley H. Jaffee, (iv) Susan Jaffee, pka Susan Jaffee Hardin, (v) Karen Jaffee Cofsky, (vi) Nancy E. Jaffee and (vii) Daniel S. Jaffee (the foregoing are sometimes referred to herein collectively as the "Reporting Persons"). The Managing General Partner of the Jaffee Investment Partnership is Richard M. Jaffee. Shirley H. Jaffee, Susan Jaffee, Karen Jaffee Cofsky, Nancy E. Jaffee and Daniel S. Jaffee are General Partners of the Jaffee Investment Partnership. The Reporting Persons who are natural persons are sometimes referred to herein collectively as the "Individual Reporting Persons." The filing of this Amendment No. 7 to this Schedule 13D shall not be deemed an admission that the Reporting Persons comprise a group for purposes of Section 13(d)(3) of the Securities Exchange Act of 1934, as amended, or for any other purpose.

The principal business of the Jaffee Investment Partnership is investments, and its principal business address is c/o Oil-Dri Corporation of America, 410 North Michigan Avenue, Suite 400, Chicago, Illinois 60611-4213. See Item 6 below.

Richard M. Jaffee serves as Chairman of the Issuer's Board of Directors, Daniel S. Jaffee serves as President and Chief Executive Officer and as a director of the Issuer, and Karen Jaffee Cofsky services as Vice President, Compensation and Benefits, of the Issuer. The Issuer is engaged in the business of developing, manufacturing and marketing sorbent mineral products, and its principal executive offices are located at 410 North Michigan Avenue, Suite 400, Chicago, Illinois 60611-4213. No other Individual Reporting Person is presently engaged in any principal occupation or employment. The principal business address of each of the Individual Reporting Persons for purposes of this Amendment No. 7 to this Schedule 13D is c/o Oil-Dri Corporation of America, 410 North Michigan Avenue, Suite 400, Chicago, Illinois 60611-4213.

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(d) and (e) During the last five years, none of the Reporting Persons has been (i) convicted in a criminal proceeding (excluding traffic violations or similar misdemeanors) or (ii) a party to a civil proceeding of a judicial or administrative body of competent jurisdiction and as a result of such proceeding was or is subject to a judgment, decree or final order enjoining future violations of, or prohibiting or mandating activities subject to, federal or state securities laws or funding any violation with respect to such laws.

(f) Each of the Individual Reporting Persons is a citizen of the United States of America.

Item 3. Source and Amount of Funds or Other Consideration

No purchase of securities of the Issuer was involved in the transaction which necessitated the filing of this Amendment No. 7 to this Schedule 13D, except as described herein. Since the filing of Amendment No. 6 to this Schedule 13D, certain of the Individual Reporting Persons exercised stock options granted by the Issuer using personal funds, or a portion of the cash proceeds resulting from the immediate resale of the underlying Common Stock, to satisfy the aggregate exercise prices of those stock options. No funds were borrowed or otherwise obtained for the purpose of acquiring, holding, trading or voting shares of Common Stock or Class B Stock.

Item 4. Purpose of Transaction

The purpose of the transaction initially requiring filing of this Schedule 13D (on January 21, 1998) was to form the Jaffee Investment Partnership for estate planning purposes. This Schedule 13D was last amended by Amendment No. 6, filed on June 30, 2008.

This Schedule 13D, since its initial filing, has also reported on the individual ownership of the partners of the Jaffee Investment Partnership, including Daniel S. Jaffee. On October 6, 2010 the Issuer granted to Daniel S. Jaffee 129,933 shares of restricted Class B Stock. Four thousand nine hundred thirty-three of said shares will vest in full on July 31, 2013, provided Mr. Jaffee is employed by the Issuer on that date. The remaining 125,000 shares will vest in 20% increments beginning October 6, 2011 and on each of the four subsequent anniversaries of that date, provided Mr. Jaffee is employed by the Issuer on those dates. Although Daniel S. Jaffee does not have dispositive power over these restricted shares until they are vested, he does, as of the grant date, have voting power of these shares of restricted Class B Stock.

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Common Stock and Class B Stock beneficially owned by the Reporting Persons are held for investment purposes. The Reporting Persons may acquire additional shares of Common Stock, Class B Stock or similar securities from time to time, either in privately-negotiated transactions, upon the exercise of stock options, warrants or similar securities or in the case of the Common Stock, in brokerage transactions on the New York Stock Exchange. Each of Daniel S. Jaffee and Karen Jaffee Cofsky holds stock options and/or other equity awards to acquire additional shares of Common Stock and/or Class B Stock granted to them as compensation for his or her service to the Issuer. Daniel S. Jaffee serves as President and Chief Executive Officer and as a director of the Issuer, and Karen Jaffee Cofsky serves as Vice President, Compensation and Benefits, of the Issuer. Such persons may, from time to time, exercise such options or be granted additional stock options, restricted stock or other equity awards by the Issuer in connection with such service. Any decision of a Reporting Person to increase its, his or her holdings of Common Stock or Class B Stock will depend on various factors, including but not limited to, the price of the shares of Common Stock, the terms and conditions of the transaction, prevailing market conditions and such other considerations as such Reporting Person deems relevant. In addition, the Jaffee Investment Partnership may acquire (or dispose of) beneficial ownership of shares of Class B Stock from time-to-time, subject to the terms and conditions of the Agreement (as defined in Item 6 below).

Each Reporting Person also may, at any time, subject to compliance with applicable securities laws, dispose of some or all of its, his or her Common Stock or Class B Stock depending on various factors, including but not limited to, the price of the shares, the terms and conditions of the transaction and prevailing market conditions, as well as liquidity and diversification of objectives. Each of the Reporting Persons may make gifts of shares to charities or others from time to time. In addition, each Reporting Person may, from time to time, enter into stock trading plans intended to satisfy the requirements of Securities and Exchange Commission Rule 10b5-1 (a "Rule 10b5-1 Sales Plan") under the Securities Exchange Act of 1934.

On October 30, 2007, Thomas F. Cofsky, Vice President, Manufacturing and Logistics, of the Issuer, entered into a Rule 10b5-1 Sales Plan, a copy of which is filed as Exhibit 4 hereto and is incorporated herein by reference. All of the transactions originally contemplated by that plan were consummated. On June 11, 2009, Mr. Cofsky entered into a modification of his October 30, 2007 sales plan. A copy of that modification is attached hereto as Exhibit 6 and is incorporated herein by reference. All of the transactions contemplated by that modification were consummated. On March 15, 2010, Mr. Cofsky entered into a further modification of his sales plan. A copy of that modification is attached hereto as Exhibit 7 and is incorporated herein by reference. Such modification provides that Mr. Cofsky will, subject to the terms and conditions of the sales plan, exercise employee stock options to purchase up to 31,250 shares of Class B Stock between March 22, 2010, and September 23, 2013, if the price of Common Stock reaches various limits as stated in the plan. The shares of Class B Stock acquired upon option exercise pursuant to the plan will be converted to Common Stock and sold. A portion of the sale proceeds will be used to pay the option exercise price and Mr. Cofsky's tax obligation. Karen Jaffee Cofsky, an Individual Reporting Person and Mr. Cofsky's spouse, shares with him beneficial ownership of the shares of Class B Stock covered by this Rule 10b5-1 Sales Plan and its modifications. To date, Mr. Cofsky has exercised options and sold 6,250 shares of Common Stock pursuant to the March 15, 2010, modification of his sales plan.

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The Reporting Persons intend to participate in and influence the affairs of the Issuer through the exercise of their voting rights with respect to their shares of Common Stock and Class B Stock. In addition, Richard M. Jaffee serves as Chairman of the Issuer's Board of Directors, Daniel S. Jaffee serves as President and Chief Executive Officer and as a director of the Issuer, and Karen Jaffee Cofsky serves as Vice President, Compensation and Benefits, of the Issuer and, as a result, in the ordinary course or otherwise, may take actions to influence the management, business and affairs of the Issuer.

Except as indicated herein, no Reporting Person, as a stockholder of the Issuer, has any plan or proposal that relates to or would result in any of the transactions or other matters specified in clauses (a) through (j) of Item 4 of Schedule 13D. Each Reporting Person may, at any time and from time to time, review or reconsider its, his or her position and/or change its, his or her purpose and/or formulate plans or proposals with respect thereto. Notwithstanding the foregoing, each of Messrs. Richard M. Jaffee and Daniel S. Jaffee and Ms. Karen Jaffee Cofsky, in their respective capacities as an officer and/or director of the Issuer, intend to consider such matters and take such actions as he or she deems to be in the best interests of the Issuer, which matters and actions could potentially from time to time involve items referenced in the first sentence of this paragraph.

The information set forth in Item 6 is hereby incorporated by reference into this Item 4.

Item 5. Interest in Securities of the Issuer

(a) Aggregate Number and Percentage of Class Beneficially Owned

Based on 5,098,400 shares of Common Stock and 2,049,409 shares of Class B Stock outstanding as of October 31, 2010, the aggregate number of shares and percentage of Class B Stock beneficially owned by each Reporting Person and the aggregate number of shares and percentage of Common Stock beneficially owned by each Reporting Person is shown below. In addition, the percentage of outstanding shares of Common Stock which would be beneficially owned by each Reporting Person, if its, his or her Class B Stock were converted to Common Stock, is also shown. The percentage of total voting power of all shares beneficially owned by each Reporting Person is also shown. Each share of Class B Stock is entitled to 10 votes per share.

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Name	Number of Shares of Class B Stock	Detail of Class B Stock Ownership	Percentage of Class B Stock	Number of Shares of Common Stock	Detail of Common Stock Ownership	Percentage of Common Stock	Percentage of Common Stock if Class B Stock Owned Converted to Common
Jaffee Investment Partnership, L.P. Voting Power: 48.8%	1,250,000		61.0%	0		0%	19.7%
Richard M. Jaffee Voting Power: 16.0%	409,558	290,895 shares held by Richard M. Jaffee as Trustee under the Richard M. Jaffee Revocable Trust of 6/21/74. 125 shares held in joint tenancy with spouse. 118,538 shares held by spouse, Shirley H. Jaffee, as trustee under the Shirley H. Jaffee Declaration of Trust of 7/12/93.	20.0%	0		0%	7.4%
Shirley H. Jaffee Voting Power: 4.6%	118,663	118,538 shares held by Shirley H. Jaffee, as trustee under the Shirley H. Jaffee Declaration of Trust of 7/12/93. 125 shares held in joint tenancy with spouse.	5.8%	0		0%	2.3%

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Name	Number of Shares of Class B	Detail of Class B Stock Ownership	Percentage of Class B Stock	Number of Shares of Common Stock	Detail of Common Stock Ownership	Percentage of Common Stock	Percentage of Common Stock if Class B Stock Owned Converted to Common
Susan Jaffee	37,909	34,159 shares held directly.	1.8%	125	125 shares held in joint tenancy with former spouse, Richard V. Hardin.	0.0%	0.7%
Voting Power:	1.5%	3,750 shares held as trustee for minor children.					
Karen Jaffee Cofsky	84,271	32,957 shares held directly.	4.0%	586	74 shares held directly.	0.0%	1.6%
Voting Power:	3.2%	9,375 shares held as trustee for minor children.			512 shares held by spouse, Thomas F. Cofsky.		
		376 shares held in joint tenancy with spouse.			Mr. Cofsky has historically voted his shares consistently with Mrs. Cofsky's voting.		
		16,563 shares are in the form of employee stock options exercisable within 60 days of the date of this filing.					
		25,000 shares are in the form of employee stock options exercisable by spouse, Thomas F. Cofsky, within 60 days of the date of this filing.					
		Mr. Cofsky has historically voted his shares consistently with Mrs. Cofsky's voting.					

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Name	Number of Shares of Class B	Detail of Class B Stock Ownership	Percentage of Class B Stock	Number of Shares of Common Stock	Detail of Common Stock Ownership	Percentage of Common Stock	Percentage of Common Stock if Class B Stock Owned and Converted to Common
Nancy E. Jaffee	36,288	28,663 shares held directly.	1.8%	5	Held directly.	0.0%	0.7%
Voting Power:	1.4%	7,500 shares held as trustee for minor children.					
		125 shares held in joint tenancy with spouse.					
Daniel S. Jaffee	287,280	265,903 shares held directly.	13.9%	0		0.0%	5.3%
Voting Power:	11.2%	5,625 shares held as trustee for minor children.					
		125 shares held in joint tenancy with spouse.					
		15,625 shares are in the form of employee stock options exercisable within 60 days of the date of this filing.					
		2 shares held by spouse, Heidi M. Jaffee.					
		Mrs. Jaffee has historically voted her shares consistently with Mr. Jaffee's voting.					

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(b) The voting power and power of disposition of each Reporting Person named in Item 2 is shown below.

Name	Sole Voting Power	Shared Voting Power	Detail of Shared Voting Power	Sole Dispositive Power	Shared Dispositive Power	Detail of Shared Dispositive Power
Jaffee Investment Partnership, L.P.	1,250,000 shares of Class B Stock	0		1,250,000 shares of Class B Stock	0	
Richard M. Jaffee	290,895 shares of Class B Stock	118,663 shares of Class B Stock	125 shares of Class B Stock held in joint tenancy with spouse. 118,538 shares of Class B Stock held by spouse, Shirley H. Jaffee, as trustee under the Shirley H. Jaffee Declaration of Trust of 7/12/93.	290,895 shares of Class B Stock	125 shares of Class B Stock	Held in joint tenancy with spouse.
Shirley H. Jaffee	118,538 shares of Class B Stock	125 shares of Class B Stock	Held in joint tenancy with spouse. Mrs. Jaffee has historically voted these shares consistently with Mr. Jaffee's voting.	118,538 shares of Class B Stock	125 shares of Class B Stock	Held in joint tenancy with spouse.
Susan Jaffee	37,909 shares of Class B Stock	125 shares of Common Stock	125 shares of Common Stock held in joint tenancy with former spouse, Richard V. Hardin. Mr. Hardin has historically voted his shares consistently with Ms. Jaffee's voting.	37,909 shares of Class B Stock	125 shares of Common Stock	Held in joint tenancy with former spouse, Richard V. Hardin.

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Name	Sole Voting Power	Shared Voting Power	Detail of Shared Voting Power	Sole Dispositive Power	Shared Dispositive Power	Detail of Shared Dispositive Power
Karen Jaffee Cofsky	58,895 shares of Class B Stock	25,376 shares of Class B Stock	376 shares of Class B Stock held in joint tenancy with spouse.	58,895 shares of Class B Stock	376 shares of Class B Stock	Held in joint tenancy with spouse.
	74 shares of Common Stock	512 shares of Common Stock	25,000 shares of Class B Stock are in the form of employee stock options exercisable by spouse, Thomas F. Cofsky, within 60 days of the date of this filing.	74 shares of Common Stock		
			512 shares of Common Stock owned by spouse, Thomas F. Cofsky.			
			Mr. Cofsky has historically voted his shares consistently with Mrs. Cofsky's voting.			
Nancy E. Jaffee	36,163 shares of Class B Stock	125 shares of Class B Stock	Held in joint tenancy with spouse.	36,163 shares of Class B Stock	125 shares of Class B Stock	Held in joint tenancy with spouse.
	5 shares of Common Stock			5 shares of Common Stock		
Daniel S. Jaffee	287,153 shares of Class B Stock	127 shares of Class B Stock	125 shares of Class B Stock held in joint tenancy with spouse and 2 shares of Class B Stock owned by spouse, Heidi M. Jaffee.	152,038 shares of Class B Stock*	125 shares of Class B Stock	Held in joint tenancy with spouse.
			Mrs. Jaffee has historically voted her shares consistently with Mr. Jaffee's voting.			

* Daniel S. Jaffee currently has no dispositive power over 135,115 shares of restricted Class B Stock. Mr. Jaffee will acquire dispositive power over those shares when they vest and become non-forfeitable as follows: (i) 25,000 shares on October 6, 2011, and an additional 25,000 shares on each of the four subsequent anniversaries of that date, (ii) 5,182 shares on July 31, 2012, and (iii) 4,933 shares on July 31, 2013, in each instance provided Mr. Jaffee is employed by the Issuer on the date indicated.

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(c) Transactions in last 60 days for each Reporting Person named in Item 2 are shown below.

Name	Date	Number of Securities Involved	Nature of Transaction
Daniel S. Jaffee	10/06/2010	4,933 shares of restricted Class B Stock	Grant by the Issuer. Restricted stock will "cliff" vest on July 31, 2013, provided Mr. Jaffee is employed by the Issuer on that date.
Daniel S. Jaffee	10/06/2010	125,000 shares of restricted Class B Stock	Grant by the Issuer. Restricted stock will vest in 20% increments beginning October 6, 2011, and on each of the four subsequent anniversaries of that date, provided Mr. Jaffee is employed by the Issuer on those dates.
Daniel S. Jaffee	10/26/2010	331 shares of Class B Stock	Private purchase from Susan Jaffee
Susan Jaffee	10/26/2010	331 shares of Class B Stock	Private sale to Daniel S. Jaffee

(d) As to each Reporting Person, no person other than the Reporting Person has the right to receive or the power to direct the receipt of dividends from or the proceeds from the sale of, any of the shares referred to in Item 5(a) above, except for shares for which their ownership is identified in Item 5(b) above as indirect, held in joint tenancy with spouse or former spouses or owned by the Reporting Person's spouse.

(e) Not applicable.

Item 6 Contracts, Arrangements, Understandings or Relationships With Respect to Securities of the Issuer

The Limited Partnership Agreement of the Jaffee Investment Partnership, L.P., as amended by Amendment No. 1 thereto (as amended, the "Agreement") provides that, subject to the limitations of the Agreement, the General Partners manage the partnership business, with all rights and powers of general partners as provided in the Delaware Revised Uniform Partnership Act. It further provides that certain decisions (distributions to Partners, sale, assignment or mortgage of, grant of security interest in, or pledge of, a Partnership Interest, borrowing, or lending, or purchasing of any security) cannot be made and, unless otherwise specifically provided in the Agreement, other decisions and acts cannot be taken, unless approved by a majority of the Units held by General Partners; no General Partner holds more than three of the outstanding ten Units. It grants the power and authority over day-to-day decisions to Richard M. Jaffee as Managing General Partner. (Day-to-day decisions include the investment and reinvestment of Partnership assets in any property, including stock of any corporation, and execution of any documents deemed by the Managing General Partner to be necessary for the Partnership to conduct its business.) The Agreement is not clear as to whether Richard M. Jaffee, as the Managing General Partner, has the power to unilaterally dispose of or vote Issuer securities held by the Partnership, and as to whether, if he has such power, it can be overridden by action of the General Partners by a majority of the Units. Accordingly, based on consultation with counsel, Mr. Jaffee acknowledges the possibility, for purposes of Regulation 13D, that he could be deemed to beneficially own, but disclaims ownership of, the Partnership's 1,250,000 shares of Class B Stock (and the 1,250,000 shares of Common Stock into which such Class B Stock is convertible), which would be in addition to the Class B Stock and Common Stock otherwise shown herein as owned by him. The foregoing summary of the Agreement is qualified in its entirety by reference to the terms of the Jaffee Investment Partnership Agreement and Amendment No. 1 thereto, copies of which are filed as Exhibits 2 and 3 to this Amendment No. 7 to this Schedule 13D and are incorporated herein by reference.

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The information regarding Rule 10b5-1 Sales Plans set forth in Item 4 is hereby incorporated by reference into this Item 6.

The Issuer, by action of its compensation committee, stated on October 6, 2010, its current intention to grant to Daniel S. Jaffee and to Thomas F. Cofsky, the spouse of Individual Reporting Person Karen Jaffee Cofsky, following the Issuer's fiscal year ending July 31, 2011, an award of restricted shares of Class B Stock, the dollar value of which would equal the amount, if any, of the bonus each would have received under the deferred bonus portion of the Issuer's annual incentive compensation plan, if each individual had been a participant in that portion of the plan. Both Mr. Jaffee and Mr. Cofsky had requested that they not be participants in the deferred bonus portion of the annual incentive plan.

Other than as described herein, in Item 4 and Item 6 of this Amendment No. 7 to this Schedule 13D, and in the exhibits hereto (including the joint filing agreement, Rule 10b5-1 Sales Plans and related correspondence), there are no contracts, arrangements or understandings among the Reporting Persons or between any of the Reporting Persons and any other person with respect to any securities of the Issuer, including, but not limited to, transfer or voting of any of the securities, finder's fees, joint ventures, loan or option arrangements, puts or calls, guarantees of profits, division of profits or loss, or the giving or withholding of proxies, and the Reporting Persons have not pledged securities of the Issuer nor are the securities of the Issuer held by the Reporting Persons subject to a contingency, the occurrence of which would give another person voting power or investment power over such securities.

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Item 7. Material to be Filed as Exhibits

Exhibit 1	Exhibit pursuant to Rule 13d-1(k)(1)(iii)*
Exhibit 2	Jaffee Investment Partnership, L.P. Partnership Agreement1
Exhibit 3	First Amendment to the Jaffee Investment Partnership, L.P. Partnership Agreement2
Exhibit 4	Rule 10b5-1 Sales Plan adopted by Thomas F. Cofsky on October 30, 20073
Exhibit 5	Power of Attorney dated March 14, 20083
Exhibit 6	Letter dated June 11, 2009 modifying Rule 10b5-1 Sales Plan adopted by Thomas F. Cofsky on October 30, 2007*
Exhibit 7	Letter dated March 15, 2010 modifying Rule 10b5-1 Sales Plan adopted by Thomas F. Cofsky on October 30, 2007*

Notes to Exhibits List:

* Filed herewith

- 1 Incorporated by reference to Schedule 13D, filed January 21, 1998.
- 2 Incorporated by reference to Amendment No. 2 to Schedule 13D, filed February 19, 1999.
- 3 Incorporated by reference to Amendment No. 6 to Schedule 13D, filed June 30, 2008.

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This Amendment No. 7 to this Schedule 13D is filed on behalf of all of the persons identified on the Cover Page as Reporting Persons and includes, as Exhibit 1 attached, the agreement of all of those persons that such statement is filed on behalf of each of them. This Amendment also amends the Schedule 13D filed solely by Mr. Richard M. Jaffee, which was last previously amended by Amendment No. 6 to this Schedule 13D, filed June 30, 2008.

SIGNATURES

After reasonable inquiry and to the best of the knowledge and belief of each of the undersigned, the undersigned certify that the information set forth in this statement is true, complete and correct.

Date: December 17, 2010

JAFFEE INVESTMENT PARTNERSHIP, L.P.

By /s/ RICHARD M. JAFFEE *
Richard M. Jaffee
Managing General Partner

/s/ RICHARD M. JAFFEE *
Richard M. Jaffee

/s/ SHIRLEY H. JAFFEE *
Shirley H. Jaffee

/s/ SUSAN JAFFEE *
Susan Jaffee

/s/ KAREN JAFFEE COFSKY *
Karen Jaffee Cofsky

/s/ NANCY E. JAFFEE *
Nancy E. Jaffee

/s/ DANIEL S. JAFFEE *
Daniel S. Jaffee

* By Angela M. Hatseras, under Power of Attorney dated March 14, 2008

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EXHIBIT 1 PURSUANT TO RULE 13d-1 (k) (iii) TO SCHEDULE 13D
OIL-DRI CORPORATION OF AMERICA
FOR JAFFEE INVESTMENT PARTNERSHIP, L.P. ET AL.

Pursuant to Rule 13d-1(k)(1)(iii) of Regulation 13D-G of the General Rules and Regulations of the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended, the undersigned agree that the attached statement on Schedule 13D is filed on behalf of each of them.

Date: December 17, 2010

JAFFEE INVESTMENT PARTNERSHIP, L.P.

By /s/ RICHARD M. JAFFEE *
Richard M. Jaffee
Managing General Partner

/s/ RICHARD M. JAFFEE *
Richard M. Jaffee

/s/ SHIRLEY H. JAFFEE *
Shirley H. Jaffee

/s/ SUSAN JAFFEE *
Susan Jaffee

/s/ KAREN JAFFEE COFSKY *
Karen Jaffee Cofsky

/s/ NANCY E. JAFFEE *
Nancy E. Jaffee

/s/ DANIEL S. JAFFEE *
Daniel S. Jaffee

*By Angela M. Hatseras, under Power of Attorney dated March 14, 2008

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