

Capstone Therapeutics Corp.
Form 10-Q
May 13, 2011

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 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 March 31, 2011

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: 0-21214

CAPSTONE THERAPEUTICS CORP.
(Exact name of registrant as specified in its charter)

Delaware 86-0585310
(State or other jurisdiction of (IRS Employer Identification No.)
incorporation or organization)

1275 W. Washington Street, Suite 101, 85281
Tempe, Arizona
(Address of principal executive offices) (Zip Code)

(602) 286-5520
(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

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Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. Large accelerated filer Accelerated filer Non-accelerated filer (do not check if a smaller reporting company) Smaller reporting company

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

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

40,775,411 shares of common stock outstanding as of April 30, 2011

CAPSTONE THERAPEUTICS CORP.
(formerly OrthoLogic Corp.)
(A Development Stage Company)

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Forward Looking Statements

We may from time to time make written or oral forward-looking statements, including statements contained in our filings with the Securities and Exchange Commission and our reports to stockholders. The safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995 protects companies from liability for their forward looking statements if they comply with the requirements of that Act. This Quarterly Report on Form 10-Q should be read in conjunction with our Annual Report on Form 10-K for the year ended December 31, 2010, and contains forward-looking statements made pursuant to that safe harbor. These forward-looking statements relate to future events or to our future financial performance, and involve known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance, or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements. In some cases, you can identify forward-looking statements by the use of words such as “may,” “could,” “expect,” “intend,” “plan,” “seek,” “anticipate,” “believe,” “estimate,” “predict,” “continue,” or the negative of these terms or other comparable terminology. You should not place undue reliance on forward-looking statements since they involve known and unknown risks, uncertainties and other factors which are, in some cases, beyond our control and which could materially affect actual results, levels of activity, performance or achievements. Factors that may cause actual results to differ materially from current expectations, which we describe in more detail in our Annual Report for the year ended December 31, 2010, include, but are not limited to:

- unfavorable results of our product candidate development efforts;
 - unfavorable results of our pre-clinical or clinical testing;
 - delays in obtaining, or failure to obtain FDA approvals;
 - increased regulation by the FDA and other agencies;
 - the introduction of competitive products;
 - impairment of license, patent or other proprietary rights;
 - failure to achieve market acceptance of our products;
- the impact of present and future collaborative or partnering agreements or the lack thereof;
 - failure to successfully implement our drug development strategy;
- failure to obtain additional funds required to complete clinical trials and supporting research and production efforts necessary to obtain FDA approval for our product candidates;
 - failure in the future to meet the requirements for continued listing on the Nasdaq Capital Market; and
- effect of our shareholders’ put rights and the ongoing qui tam litigation on our stock price, liquidity or our ability to continue operations.

If one or more of these or other risks or uncertainties materialize, or if our underlying assumptions prove to be incorrect, actual results may vary significantly from what we projected. The forward-looking statements in this Quarterly Report on Form 10-Q reflect our current views with respect to future events and are subject to these and other risks, uncertainties and assumptions relating to our operations, results of operations, business strategy and liquidity. We assume no obligation to publicly update or revise these forward-looking statements for any reason, or to update the reasons actual results could differ materially from those anticipated in these forward-looking statements, even if new information becomes available in the future.

PART I – Financial Information

Item 1. Financial Statements

CAPSTONE THERAPEUTICS CORP.
(formerly OrthoLogic Corp.)
(A Development Stage Company)
CONDENSED BALANCE SHEETS
(in thousands, except share data)

	March 31, 2011	December 31, 2010
ASSETS		
Current assets		
Cash and cash equivalents	\$ 21,640	\$ 24,387
Interest, income taxes and other current assets	463	643
Total current assets	22,103	25,030
Furniture and equipment, net	226	258
Total assets	\$ 22,329	\$ 25,288
LIABILITIES, POTENTIALLY REDEEMABLE EQUITY AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	\$ 632	\$ 246
Accrued compensation	478	674
Accrued clinical and other accrued liabilities	260	236
Share-based payments liability	375	660
Total current liabilities	1,745	1,816
Potentially redeemable equity - See Note B	-	15,556
Stockholders' Equity		
Common Stock \$.0005 par value; 100,000,000 shares authorized; 40,775,411 shares in 2011 and 2010 issued and outstanding	20	20
Additional paid-in capital	188,607	188,258
Accumulated deficit (\$140,281 at March 31, 2011 and \$152,600 at December 31, 2010, accumulated during development stage period)	(168,043)	(180,362)
Total stockholders' equity	20,584	7,916
Total liabilities, potentially redeemable equity and stockholders' equity	\$ 22,329	\$ 25,288

See notes to unaudited condensed financial statements

CAPSTONE THERAPEUTICS CORP.
(formerly OrthoLogic Corp.)
(A Development Stage Company)
CONDENSED STATEMENTS OF OPERATIONS
(in thousands, except per share data)
(Unaudited)

	Three months ended March 31,		As a Development Stage Company August 5, 2004 - March 31, 2011
	2011	2010	
OPERATING EXPENSES			
General and administrative	\$1,165	\$973	\$ 27,381
Research and development	2,082	2,023	95,737
Purchased in-process research and development	-	-	34,311
Other	-	-	(375)
Total operating expenses	3,247	2,996	157,054
Interest and other income, net	(10)	(45)	(13,737)
Loss from continuing operations before taxes	3,237	2,951	143,317
Income tax benefit	-	-	(1,197)
Loss from continuing operations	3,237	2,951	142,120
Discontinued operations - net gain on sale of the			