

Capstone Therapeutics Corp.
Form 10-Q
November 08, 2012

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 September 30, 2012

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 incorporation or organization) (IRS Employer Identification No.)

1275 W. Washington Street, Suite 101, Tempe, Arizona 85281
(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.

40,885,411 shares of common stock outstanding as of October 31, 2012

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CAPSTONE THERAPEUTICS 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, 2011, 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 Form 10-K for the year ended December 31, 2011, include, but are not limited to:

- the impact of our recently adopted plan to preserve cash, including the reduction from eighteen employees to two employees and additional steps taken towards a virtual operating model;
 - unfavorable results of product candidate development efforts;
 - unfavorable results of 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;
- the impact of present and future joint venture, collaborative or partnering agreements or the lack thereof;
- failure to successfully implement our drug development strategy, including failure of AEM-28 to obtain Orphan Drug designation;
- failure to obtain additional funds required to complete clinical trials and supporting research and production efforts necessary to obtain FDA approval for product candidates; and
- effect of the ongoing qui tam litigation on our stock price, liquidity, and our ability to execute corporate or other transactions, 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.
(A Development Stage Company)
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except share data)

	September, 30 2012 (unaudited)	December 31, 2011
ASSETS		
Current assets		
Cash and cash equivalents, \$4,976 reserved at September 30, 2012	\$ 11,355	\$ 13,778
Other current assets	330	758
Total current assets	11,685	14,536
Patent license rights, net	1,019	-
Furniture and equipment, net	28	160
Total assets	\$ 12,732	\$ 14,696
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable	\$ 209	\$ 77
Accrued compensation	1	13
Other accrued liabilities	4	29
Total current liabilities	214	119
Equity		
Capstone Therapeutics Corp. Stockholders' Equity		
Common Stock \$.0005 par value; 100,000,000 shares authorized; 40,885,411 shares in 2012 and 40,775,411 shares in 2011 issued and outstanding	20	20
Additional paid-in capital	189,178	189,074
Accumulated deficit (\$149,395 at September 30, 2012 and \$146,755 at December 31, 2011, accumulated during development stage period)	(177,157)	(174,517)
Total Capstone Therapeutics Corp. stockholders' equity	12,041	14,577
Noncontrolling interest	477	-
Total equity	12,518	14,577
Total liabilities and equity	\$ 12,732	\$ 14,696

See notes to unaudited condensed consolidated financial statements

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

	Three months ended September 30,		Nine months ended September 30,		As a Development Stage Company August 5, 2004 - September 30, 2012
	2012	2011	2012	2011	
OPERATING EXPENSES					
General and administrative	\$ 480	\$ 391	\$ 1,297	\$ 2,354	\$ 31,019
Research and development	667	1,226	1,626	4,684	101,675
Purchased in-process research and development	-	-	-	-	34,311
Other	-	-	-	-	(375)
Total operating expenses	1,147	1,617	2,923	7,038	166,630
Interest and other income, net	(5)	(2)	(93)	(16)	(13,851)
Loss from continuing operations before taxes	1,142	1,615	2,830	7,022	152,779
Income tax benefit	-	-	-	-	(1,355)
Loss from continuing operations	1,142	1,615	2,830	7,022	151,424
Discontinued operations - net gain on sale of the bone device business, net of taxes of \$267	-	-	-	-	(2,202)
Net Loss	1,142	1,615	2,830	7,022	149,222
Less: Net Loss attributable to the noncontrolling interest	(191)	-	(191)	-	(191)
Net Loss attributable to Capstone Therapeutics Corp. stockholders	\$ 951	\$ 1,615	\$ 2,639	\$ 7,022	\$ 149,031
Per Share Information:					
Net loss, basic and diluted, attributable to Capstone Therapeutics Corp. stockholders	\$ 0.02	\$ 0.04	\$ 0.06	\$ 0.17	
Basic and diluted shares outstanding	40,885	40,775	40,879	40,775	

See notes to unaudited condensed consolidated financial statements

CAPSTONE THERAPEUTICS CORP.
(A Development Stage Company)
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(Unaudited)

	Nine months ended September 30,		As a Development Stage Company August 5, 2004 - September 30, 2012
	2012	2011	
OPERATING ACTIVITIES			
Net loss	\$(2,830)	\$(7,022)	\$ (149,222)
Non cash items:			
Deferred tax expense	-	-	770
Depreciation and amortization, net of gain on sale	(14)	90	3,928
Non-cash stock compensation	104	133	4,928
Gain on sale of bone device business	-	-	(2,298)
In-process research and development	-	-	34,311
Change in other operating items:			
Interest, income taxes and other current assets	428	434	1,378
Accounts payable	132	91	(762)
Accrued liabilities	(37)	(486)	(3,012)
Cash flows used in operating activities	(2,217)	(6,760)	(109,979)
INVESTING ACTIVITIES			
Expenditures for furniture and equipment, net	-	(19)	(1,044)
Proceeds from sale of assets	172	-	7,172
Cash paid for assets of AzERx/CBI	-	-	(4,058)
Cash paid for patent rights	(378)	-	(1,028)
Purchases of investments	-	-	(282,538)
Maturities of investments	-	-	340,476
Cash flows (used in) provided by investing activities	(206)	(19)	58,980
FINANCING ACTIVITIES			
Net proceeds from stock option exercises	-	-	4,612
Net proceeds from sale of stock	-	-	3,376
Common stock purchases	-	-	(1,041)
Cash flows provided by financing activities			