

ORTHOLOGIC CORP  
Form 10-Q  
May 14, 2010

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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, 2010

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

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

Delaware  
(State or other jurisdiction of incorporation or organization)

86-0585310  
(IRS Employer Identification No.)

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

85281  
(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, 2010.

ORTHOLOGIC CORP.  
 (dba Capstone Therapeutics)  
 (A Development Stage Company)

INDEX

	Page No.
Part I Financial Information	
Item 1.	<u>Financial Statements (Unaudited)</u>
	<u>Condensed Balance Sheets as of March 31, 2010 and December 31, 2009</u> 3
	<u>Condensed Statements of Operations for the three months ended March 31, 2010 and 2009</u> 4
	<u>Condensed Statements of Cash Flows for the three months ended March 31, 2010 and 2009</u> 5
	<u>Notes to Condensed Financial Statements</u> 6
Item 2.	<u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u> 10
Item 4T.	<u>Controls and Procedures</u> 13
Part II Other Information	
Item 1.	<u>Legal Proceedings</u> 13
Item 1A.	<u>Risk Factors</u> 13
Item 6.	<u>Exhibits</u> 14
EXHIBIT 31.1	
EXHIBIT 31.2	
EXHIBIT 32	

Index

## PART I – Financial Information

## Item 1. Financial Statements

**ORTHOLOGIC CORP.**  
 (dba Capstone Therapeutics)  
 (A Development Stage Company)  
**CONDENSED BALANCE SHEETS**  
 (in thousands, except share data)

	March 31, 2010 (Unaudited)	December 31, 2009
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 14,280	\$ 12,874
Short-term investments	18,559	22,268
Interest, income taxes and other current assets	653	1,660
<b>Total current assets</b>	<b>33,492</b>	<b>36,802</b>
Furniture and equipment, net	331	333
<b>Total assets</b>	<b>\$ 33,823</b>	<b>\$ 37,135</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities		
Accounts payable	\$ 382	\$ 719
Accrued compensation	406	549
Accrued clinical and other accrued liabilities	1,175	1,139
<b>Total current liabilities</b>	<b>1,963</b>	<b>2,407</b>
Stockholders' Equity		
Common Stock \$.0005 par value; 100,000,000 shares authorized; 40,775,411 shares issued and outstanding in 2010 and 2009	20	20
Additional paid-in capital	188,726	188,643
Accumulated deficit (\$129,124 at March 31, 2010 and \$126,173 at December 31, 2009, accumulated during development stage period)	(156,886 )	(153,935 )
<b>Total stockholders' equity</b>	<b>31,860</b>	<b>34,728</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 33,823</b>	<b>\$ 37,135</b>

See notes to unaudited condensed financial statements

Index

**ORTHOLOGIC CORP.**  
 (dba Capstone Therapeutics)  
 (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, 2010
	2010	2009	
<b>OPERATING EXPENSES</b>			
General and administrative	\$973	\$807	\$ 23,949
Research and development	2,023	3,608	87,510
Purchased in-process research and development	-	-	34,311
Other	-	-	(375 )
Total operating expenses	2,996	4,415	145,395
Interest and other income, net	(45 )	(267 )	(13,416 )
Loss from continuing operations before taxes	2,951	4,148	131,979
Income tax benefit	-	-	(1,016 )
Loss from continuing operations	2,951	4,148	130,963
Discontinued operations - net gain on sale of the bone device business, net of taxes of \$267	-	-	(2,202 )
<b>NET LOSS</b>	<b>\$2,951</b>	<b>\$4,148</b>	<b>\$ 128,761</b>
<b>Per Share Information:</b>			
Net loss, basic and diluted	\$0.07	\$0.10	
Basic and diluted shares outstanding	40,775	40,775	

See notes to unaudited condensed financial statements

Index

ORTHOLOGIC CORP.  
(dba Capstone Therapeutics)  
(A Development Stage Company)  
CONDENSED STATEMENTS OF CASH FLOWS  
(in thousands)  
(Unaudited)

Three months ended  
March 31,

As a Development  
Stage Company  
August 5, 2004 -