CAPSTONE THERAPEUTICS CORP.

State of Incorporation: Delaware

5141 W 122nd Street, Alsip, IL 60803
Phone: (708) 371-0660
Fax: (708) 371-0686

www. Capstonethx.com

SIC Code: 3845

QUARTERLY REPORT

For the quarterly period ended September 30, 2020
(the "Reporting Period")

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock	CAPS	OTCQB

The number of shares outstanding of our common stock, par value $0.0005 per share ("common stock"), is 54,377 shares as of September 30, 2020 and December 31, 2019 (after effect of a 1000-to-1 reverse stock split on September 10, 2019).

The number of shares outstanding of our common stock was 54,385,411 shares as of December 31, 2018 and December 31, 2017.

Indicate by check mark whether the company is a shell company (as defined in Rule 405 of the Securities Act of 1933 and Rule 12b-2 of the Exchange Act of 1934):

☐ Yes ☒ No

Indicate by check mark whether the company's shell status has changed since the previous reporting period:

☐ Yes ☒ No

Indicate by check mark whether a change in control of the company has occurred over this reporting period:

☐ Yes ☒ No

Capstone Therapeutics Corp.
Quarterly Report
For the Third Quarter ended September 30, 2020

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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 OTCQB Market or 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 should be read in conjunction with our Annual Report for the year ended December 31, 2019 filed with the OTCQB on March 27, 2020, and the Annual Report on Form 10-K for the year ended December 31, 2018, filed with the Securities and Exchange Commission ("SEC") on March 22, 2019, 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," "potential," "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 this section titled "Risks," include, but are not limited to:

- the impact of the terms or conditions of agreements associated with funds obtained to fund operations, including the Company's Securities Purchase, Loan and Security Agreement;
- the impact of present and future merger, acquisition, joint venture, collaborative or partnering agreements or the lack thereof;
- failure of the Company's common stock to continue to be listed at the OTCQB stock market; and
- the impact of COVID-19 on 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. Any forward-looking statement you read in this Quarterly Report reflects our current views with respect to future events and is 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.

Available Information

In 2019, the Company deregistered its common stock with the U.S. Securities and Exchange Commission ("SEC). By deregistering its common stock with the SEC, the Company is no longer required to file annual, quarterly and current reports with the SEC. The Company's common stock is currently quoted on the OTCQB under the trading symbol "CAPS". As part of the OTCQB listing requirements, the Company is required to prepare and post material news, quarterly financial reports and annual audited financial reports on the OTCQB's website. Although the Company is no longer required to file certain SEC reports, there are some references throughout this document to former filings with the SEC. These references are integral to the readers' understanding of these financial statements and should be read in conjunction with this Quarterly Report. This Quarterly Report also summarizes various documents and other information. These summaries are qualified in their entirety by reference to the documents and information to which they relate.

Item 1. Exact Name of the Issuer and the Address of its Principal Executive Offices.
Exact name of issuer:

Capstone Therapeutics Corp.
Principal Executive Offices:
5141 W 122nd Street
Alsip, IL 60803
Phone: 708-371-0660
Fax: 708-371-0686
Website: www.capstonethx.com

Investor Relations Officer:
Michael M. Toporek
Chairman/CEO
5141 W 122nd Street
Alsip, IL 60803
Phone: 708-371-0660
Fax: 708-371-0686

Email Address: investorinquiries@capstonethx.com

Item 2. Shares Outstanding:

Preferred Stock – 2,000,000 shares authorized, none outstanding in 2020, 2019, or 2018.

Common Stock, par value $.0005, 150,000,000 authorized, 54,377 outstanding (after the 1,000 to 1 reverse stock split on September 10, 2019) at September 30, 2020 and December 31, 2019. At December 31, 2018, 54,385,411 shares were outstanding (54,385 shares after the 1,000 to 1 reverse stock split in September 2019).

Public Float (1) at September 30, 2020 was approximately 27,437 shares. Public Float (1) at December 31, 2019 was approximately 27,297 (after September 2019 1,000 to 1 reverse stock split). Public Float (1) at December 31, 2018 was approximately 27,189,483 shares (prior to September 10, 2019 1,000 to 1 reverse stock split).

Beneficial shareholders owning at least 100 shares (2) was approximately 165 at September 30, 2020. Beneficial shareholders owning at least 100 shares (2) was approximately 165 at December 31, 2019. Beneficial shareholders owning at least 100 shares (2) was approximately 2,000 at December 31, 2018 (prior to reverse stock split in September 2019).

Stockholders of record at September 30, 2020 was approximately 29. Stockholders of record were approximately 22 at December 31, 2019 and 347 at December 31, 2018.

(1) For purposes of this calculation only, shares of common stock held by each of the Company's directors and officers on the given date and by each person who the Company knows beneficially owned 5% or more of the outstanding common stock on that date have been excluded in that such persons may be deemed to be affiliates.

(2) Estimate based on beneficial share range analysis, received from Computershare.

Item 3. Interim Financial Statements

CAPSTONE THERAPEUTICS CORP.
CONSOLIDATED BALANCE SHEETS
(in thousands, except share and per share data)
(Unaudited)

(in thousands, except share and per share data)	September 30, 2020	December 31, 2019
	(Unaudited)	
ASSETS		
Current assets:		
Cash, including discontinued operations of $33 and $41 in 2020 and 2019, respectively	$ 337	$ 58
Accounts Receivable, net	$ 7,473	
Inventories, including prepaid inventory at September 30, 2020 of $786	$ 8,685	
Other current assets	435	146
Other current assets - discontinued operations	49	80
Total current assets	16,979	284
Long-term assets:		-
Property and equipment, net	1,036	-
Goodwill and othe intangible assets	23,308	-
Other long-term assets	156	-
Total long-term assets	24,500	-
Total assets	$ 41,479	$ 284
LIABILITIES AND EQUITY		
Current liabilities:		
Borrowing under line of credit	$ 4,131	$ -
Accounts payable and other accrued liabilities	6,755	379
Current portion of term loan	-	-
Other current liabilities	$ 14	$ -
Accounts payable and other accrued liabilities - discontinued operations	822	776
Total current liabilities	11,722	1,155
Long-term liabilities:		
Secured debt and accrued interest, net of unamortized issuance costs	3,450	3,071
Term loan	-	-
Mezzanine loan	2,616	-
Long-term N M D seller's note	1,870	-
Long-term N M D contingent value note	950	-
Accrued related party management fee	817	-
Care Act PPP loan	780	-
Other lont-term liabilities	37	-
Total long-term debt	10,520	3,071
Totalstone, LLC Class B units with preferred return	22,757	-
Equity		
Capstone Therapeutics Corp. Stockholders' Equity		
Common Stock $.0005 par value;	-	-
150,000,000 shares authorized; 54,377 shares outstanding		
on September 30, 2020 and December 31, 2019		
Additional paid-in capital	190,538	190,526
Accumulated deficit	(193,334)	(193,827)
Total Capstone Therapeutics Corp. stockholders' equity (deficit)	(2,796)	(3,301)
Noncontrolling interest	(724)	(641)
Total equity	(3,520)	(3,942)
Total liabilities, Totalstone, LLC Class B units and equity	$ 41,479	$ 284
See notes to unaudited consolidated financial statements		

CAPSTONE THERAPEUTICS CORP.
CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except share and per share data)
(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Sales	$ 17,789	$ -	$ 31,801	$ -
Sales returns and allowances	(67)		(110)	
Net sales	17,722	-	31,691	-
Cost of goods sold	13,436	-	24,035	-
Gross Profit	4,286	-	7,656	-
Selling, general and administrative expenses	2,666	215	5,077	582
Income (loss) from operations	1,620	(215)	2,579	(582)
Interest and other income (expense), net	(203)	(67)	(601)	(194)
Income (loss) from operations before taxes	1,417	(282)	1,978	(776)
Income tax benefit (expense)	(58)	-	(44)	-
Net Income (Loss) from continuing operations	1,359	(282)	1,934	(776)
Discontinued Operations	(32)	(555)	(83)	(1,586)
Net (Income) Loss	1,327	(837)	1,851	(2,362)
Less: Net (Income) Loss attributable to the				
Noncontrolling interest	32	512	83	512
Class B units preferred return	(692)	-	(1,384)	-
Net Income (Loss) attributable to Capstone Therapeutics Corp. stockholders	$ 667	$ (325)	$ 550	$ (1,850)
Net Income (Loss) attributable to Capstone Therapeutics Corp. stockholders				
Continuing operations	$ 667	$ (282)	$ 550	$ (776)
Discontinued operations	-	(43)	-	(1,074)
	$ 667	$ (325)	$ 550	$ (1,850)
Per Share Information:				
Net Income (Loss), basic and diluted:				
Continuing operations	$ 12.27	$ (5.19)	$ 10.11	$ (14.27)
Discontinued operations	$ -	$ (0.79)	$ -	$ (19.75)
Total	$ 12.27	$ (5.98)	$ 10.11	$ (34.02)
Basic and diluted shares outstanding (reflecting September 2019 reverse stock split)	54,377	54,377	54,377	54,377

See notes to unaudited consolidated financial statements

CAPSTONE THERAPEUTICS CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(Unaudited)

	Nine months ended September 30,	
	2020	**2019**
OPERATING ACTIVITIES		
Net loss	$ 1,796	$ (2,362)
Non cash items:		
Depreciation and amortization	160	39
Non-cash interest expense	302	181
Non-cash stock based interest expense	12	11
Change in other operating items:		
Other current assets	681	(245)
Accounts payable and other accrued liabilities	1,616	996
Totalstone, LLC class B units	(1,384)	-
Cash flows provided by (used in) operating activities	3,183	(1,380)
INVESTING ACTIVITIES		
Proceeds from sale of assets	3	
Purchase of property and equipment, net	-	-
Cash flows provided by (used in) investing activities	3	-
FINANCING ACTIVITIES		
Borrowings under line of credit, net	(3,288)	-
Care Act funding	780	-
Financed insurance premium	107	-
Payments on financed insurance premium	(28)	
Other debt funding (payments)	(478)	250
Cash flows provided by financing activities	(2,907)	250
NET INCREASE (DECREASE) IN CASH	279	(1,130)
CASH, BEGINNING OF PERIOD	58	1,341
CASH, END OF PERIOD	$ 337	$ 211

See notes to unaudited consolidated financial statements

CAPSTONE THERAPEUTICS CORP.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2020

NOTE A: OVERVIEW OF BUSINESS

Description of the Business

Capstone Therapeutics Corp. (the “Company”, “we”, “our” or “us”) was a biotechnology company committed to developing a pipeline of novel peptides and other molecules aimed at helping patients with under-served medical conditions. Previously, we were focused on the development and commercialization of two product platforms: AZX100 and Chrysalin (TP508). In 2012, we terminated the license for Chrysalin (targeting orthopedic indications). In 2014, we terminated the license for AZX100 (targeting dermal scar reduction). Capstone no longer has any rights to or interest in Chrysalin or AZX100.

On August 3, 2012, we invested in a new company, LipimetiX Development, LLC, (now LipimetiX Development, Inc.), (“LIPI”), to develop Apo E mimetic peptide molecule AEM-28 and its analogs. LIPI has a development plan to pursue regulatory approval of AEM-28, or an analog, as treatment for Homozygous Familial Hypercholesterolemia, other hyperlipidemic indications, and acute coronary syndrome/atherosclerosis regression. The initial AEM-28 development plan extended through Phase 1a and 1b/2a clinical trials and was completed in the fourth quarter of 2014. The clinical trials had a safety primary endpoint and an efficacy endpoint targeting reduction of cholesterol and triglycerides.

In early 2014, LIPI received allowance from regulatory authorities in Australia permitting LIPI to proceed with the planned clinical trials. The Phase 1a clinical trial commenced in Australia in April 2014 and the Phase 1b/2a clinical trial commenced in Australia in June 2014. The clinical trials for AEM-28 were randomized, double-blinded, placebo-controlled studies to evaluate the safety, tolerability, pharmacokinetics and pharmacodynamics of six escalating single doses (Phase 1a in healthy patients with elevated cholesterol) and multiple ascending doses of the three highest doses from Phase 1a (Phase 1b/2a in patients with hypercholesterolemia and healthy volunteers with elevated cholesterol and high Body Mass Index). The Phase 1a clinical trial consisted of 36 patients and the Phase 1b/2a consisted of 15 patients. Both clinical trials were completed in 2014 and the Medical Safety Committee, reviewing all safety-related aspects of the clinical trials, observed a generally acceptable safety profile. As first-in-man studies, the primary endpoint was safety; yet efficacy measurements analyzing pharmacodynamics yielded statistical significance in the pooled dataset favoring AEM-28 versus placebo in multiple lipid biomarker endpoints.

Concurrent with the clinical development activities of AEM-28, LIPI has performed pre-clinical studies that have identified analogs of AEM-28, and new formulations, that have the potential of increased efficacy, higher human dose toleration and an extended composition of matter patent life (application filed with the U.S. Patent and Trademark Office in 2014). LIPI is exploring fundraising, partnering or licensing, to obtain additional funding to continue development activities and operations.

On August 23, 2019 the Company adopted a Contingent Value Rights Agreement, filed on Form 8-K with the SEC on August 26, 2019, and under that agreement, the net proceeds, if any, from the Company’s investment in LIPI, will be distributed to the Company’s July 10, 2019 shareholders of record. Accordingly, at September 30, 2020, the Company effectively has no financial interest in LIPI, other than the possible collection of amounts owed to the Company, which currently consists of the loan, accrued interest and accounting fees described in Note B in the Company's financial statements, and LIPI's operations are shown as discontinued operations in the Company's financial statements.

The Company has been exploring fundraising or a merger/acquisition, to obtain additional funding to continue operations. As described in Note N to the Financial Statements included in this Quarterly Report, in March 2020 the Company entered into a transaction, which was effective April 1, 2020, whereby it has obtained an interest in a materials distribution company (Totalstone, LLC) that distributes masonry stone products for residential and commercial construction in the Midwest and Northeast United States, under the trade names Instone and Northeast Masonry Distributors (NMD), which going forward will be the Company's primary business activity.

Description of Current LIPI Peptide Drug Candidates.

Apo E Mimetic Peptide Molecule – AEM-28 and its analogs

Apolipoprotein E is a 299 amino acid protein that plays an important role in lipoprotein metabolism. Apolipoprotein E (Apo E) is in a class of protein that occurs throughout the body. Apo E is essential for the normal metabolism of cholesterol and triglycerides. After a meal, the postprandial (or post-meal) lipid load is packaged in lipoproteins and secreted into the blood stream. Apo E targets cholesterol and triglyceride rich lipoproteins to specific receptors in the liver, decreasing the levels in the blood. Elevated plasma cholesterol and triglycerides are independent risk factors for atherosclerosis, the buildup of cholesterol rich lesions and plaques in the arteries. AEM-28 is a 28 amino acid mimetic of Apo E and AEM-28 analogs are also 28 amino acid mimetics of Apo E (with an aminohexanoic acid group and a phospholipid). Both contain a domain that anchors into a lipoprotein surface while also providing the Apo E receptor binding domain, which allows clearance through the heparan sulfate proteoglycan (HSPG) receptors (Syndecan-1) in the liver. AEM-28 and its analogs, as Apo E mimetics, have the potential to restore the ability of these atherogenic lipoproteins to be cleared from the plasma, completing the reverse cholesterol transport pathway, and thereby reducing cardiovascular risk. This is an important mechanism of action for AEM-28 and its analogs. Atherosclerosis is the major cause of cardiovascular disease, peripheral artery disease and cerebral artery disease, and can cause heart attack, loss of limbs and stroke. Defective lipid metabolism also plays an important role in the development of adult onset diabetes mellitus (Type 2 diabetes), and diabetics are particularly vulnerable to atherosclerosis, heart and peripheral artery diseases. LIPI has an Exclusive License Agreement with the University of Alabama at Birmingham Research Foundation for a broad domain of Apo E mimetic peptides, including AEM-28 and its analogs.

Company History

Prior to November 2003, we developed, manufactured and marketed proprietary, technologically advanced orthopedic products designed to promote the healing of musculoskeletal bone and tissue, with particular emphasis on fracture healing and spine repair. Our product lines, which included bone growth stimulation and fracture fixation devices, are referred to as our "Bone Device Business." In November 2003, we sold our Bone Device Business.

In August 2004, we purchased substantially all of the assets and intellectual property of Chrysalis Biotechnology, Inc., including its exclusive worldwide license for Chrysalin, a peptide, for all medical indications. Subsequently, our efforts were focused on research and development of Chrysalin with the goal of commercializing our products in fresh fracture healing. (In March 2012, we returned all rights to the Chrysalin intellectual property and no longer have any interest in, or rights to, Chrysalin.)

In February 2006, we purchased certain assets and assumed certain liabilities of AzERx, Inc. Under the terms of the transaction, we acquired an exclusive license for the core intellectual property relating to AZX100, an anti-fibrotic peptide. In 2014, we terminated the License Agreement with AzTE (Licensor) for the core intellectual property relating to AZX100 and returned all interest in and rights to the AZX100 intellectual property to the Licensor.

On August 3, 2012, we invested in a new company (As described in Note B below) to develop Apo E mimetic peptide molecule AEM-28 and its analogs. On August 23, 2019 the Company adopted a Contingent Value Rights Agreement, filed on Form 8-K with the SEC on August 26,2019, and under that agreement, the net proceeds, if any, from the Company's investment in LIPI, will be distributed to the Company's July 10, 2019 shareholders of record. Accordingly, at September 30, 2020, the Company effectively has no financial interest in LIPI, other than the possible collection of amounts owed to the Company, which currently consists of the loan, accrued interest and accounting fees described in Note B in the Company's financial statements, and LIPI operations are shown as discontinued operations in the Company's financial statements.

The Company has been exploring fundraising or a merger/acquisition, to obtain additional funding to continue operations. As described in Note N to the Financial Statements included in this Quarterly Report, in March 2020 the Company entered into a transaction, which was effective April 1, 2020, whereby it has obtained an interest in a materials distribution company (Totalstone, LLC), which going forward will be the Company's primary business activity.

TotalStone, LLC (T/A "Instone"), a Delaware limited liability company, was formed on October 4, 2006. The Company is engaged in the distribution of pre-cast specialty items and thin stone products and related accessories. All of its operations are performed in Illinois, Ohio and New Jersey. Its administrative functions are performed in Illinois and New Jersey. Instone services the Northeast and Midwest regions, which comprise twenty-five states.

TotalStone, LLC has a wholly owned single member limited liability company, Northeast Masonry Distributors, LLC ("NMD", f/k/a NEM Purchaser, LLC), a Delaware limited liability company. NMD was formed on September 23, 2019. On November 14, 2019, NEM Purchaser, LLC completed the purchase from Northeast Masonry Distributors, LLC of substantially all of the assets, relating to a distribution center in Plainville, Massachusetts. NEM Purchaser, LLC also assumed liabilities, receivables, fixed assets, and other assets. The aggregate purchase price was $6,029,342. NMD is engaged in the light fabrication and distribution of natural stone products. All of its manufacturing and distribution operations are performed in Massachusetts. Administrative functions are performed in Massachusetts and New Jersey. NMD services the Northeast and Midwest regions, which comprise twenty-five states.

OrthoLogic Corp. commenced doing business under the trade name of Capstone Therapeutics on October 1, 2008, and we formally changed our name from OrthoLogic Corp. to Capstone Therapeutics Corp. on May 21, 2010.

In these notes, references to "we", "our", "us", the "Company", "Capstone Therapeutics", "Capstone", and "OrthoLogic" refer to Capstone Therapeutics Corp. References to "LIPI", refer to LipimetiX Development, Inc. (formerly LipimetiX Development, LLC). References to "TotalStone" or "Instone" refer to TotalStone, LLC. References to NMD refer to Totalstone's wholly owned subsidiary Northeast Masonry Distributors, LLC.

Basis of presentation, Going Concern, and Management's Plans. The accompanying financials statements have been prepared assuming the Company will continue as a going concern, which contemplates the realization of assets and satisfaction of liabilities in the normal course of business.

As described in Note N below, the Company, in March of 2020, acquired an interest in TotalStone, LLC. The funds available from the operations of TotalStone, LLC, as well as the extension of the maturity date for the Secured Debt and accrued interest to March 31, 2022, as discussed in Note E, alleviated the substantial doubt about the entity's ability to continue as a going concern.

In the opinion of management, the financial statements include all adjustments necessary for the fair presentation of our financial position, results of operations, and cash flows, and all adjustments were of a normal recurring nature. The financial statements include the results, after elimination of intercompany accounts and transactions, of Capstone Therapeutics Corp., TotalStone, LLC (subsequent to the merger date of April 1, 2020), and our approximately 60% owned subsidiary, LipimetiX Development, Inc. (shown as a discontinued operation).

Use of estimates. The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires that management make a number of assumptions and estimates that affect the reported amounts of assets, liabilities, and expenses in our financial statements and accompanying notes. Management bases its estimates on historical experience and various other assumptions believed to be reasonable. Although these estimates are based on management's assumptions regarding current events and actions that may impact the Company in the future, actual results may differ from these estimates and assumptions.

Our significant estimates include accounting for stock-based compensation and the TotalStone, LLC merger.

Legal and Other Contingencies

The Company is subject to legal proceedings and claims that arise in the course of business. The Company records a liability when it is probable that a loss has been incurred and the amount is reasonably estimable. There is significant judgment required in both the probability determination and as to whether an exposure can be reasonably estimated. In the opinion of management, there was not at least a reasonable possibility the Company may have incurred a material loss with respect to loss contingencies. However, the outcome of legal proceedings and claims brought against the Company are subject to significant uncertainty.

Legal costs related to contingencies are expensed as incurred and were not material in either 2020 or 2019.

On November 14, 2019, NMD contracted to a non-negotiable secured subordinated contingent value promissory with Avelina Masonry, LLC and James Palatine (the "Sellers"). The Earned Amount is comprised of a tranche of up to \$462,500 with respect to the 2020 NMD Gross Profit (the "2020 Tranche"), a tranche of up to \$462,500 with respect to the 2021 NMD Gross Profit (the "2021 Tranche") and a tranche of \$75,000 (the "Palatine Tranche"). The Palatine Tranche was converted to an equity interest. The remaining two tranches have a scheduled payment date of June 15, 2022. At September 30, 2020, the Company has determined that it is probable that the long-term contingent value note Tranches will be earned and has accrued a liability of \$950,000 (See Note K below).

In December 2019, an outbreak of a new strain of coronavirus, COVID-19, emerged in Wuhan, China. Within weeks, the number of those infected grew significantly, and beyond China's borders. As of the date of this report, the coronavirus has spread globally. The coronavirus outbreak is still evolving, and its effects remain unknown. The Company is unable to predict how changing global economic conditions such as the COVID-19 coronavirus will affect operations.

LipimetiX Development, Inc. Accounting

The Company invested in a new company in which it, at formation, contributed $6,000,000, and the noncontrolling interests have contributed certain patent license rights. As discussed in Note B below, in August 2017, the Company purchased 93,458 shares of LipimetiX Development, Inc.'s Series B-2 Preferred Stock for $1,000,000. Neither the Company nor the noncontrolling interests have an obligation to contribute additional funds to LIPI's or to assume any LIPI's liabilities or to provide a guarantee of either performance or any liability. On August 23, 2019 the Company adopted a Contingent Value Rights Agreement ("CVR"), filed on Form 8-K with the SEC on August 26, 2019, and under that agreement, the net proceeds, if any, from the Company's investment in LIPI, will be distributed to the Company's July 10, 2019 shareholders of record. Accordingly, the Company effectively has no financial interest in LIPI, other than the possible collection of amounts owed to the Company, which currently consists of the loan, accrued interest and accounting fees described in Note B in the Company's financial statements, and LIPI's operations are shown as discontinued operations as required by ASC 205-20 and recorded by restating prior periods.

The Company has accounted for the results of LIPI using the liquidation provisions of the LIPI operating agreement under the hypothetical liquidation at book value accounting method. As of March 31, 2018, losses incurred by LIPI exceeded the capital accounts of LIPI and the Company had recognized losses equal to its investment in LIPI ($7,000,000). The Company has a revolving loan agreement with LIPI and advanced LIPI funds for operations, with the unpaid amount due July 15, 2020, with early payment required upon certain additional funding by non-affiliated parties. The loan balance and accrued interest at September 30, 2020 totaled $1,840,000. The Company has also recorded accounting fees due from LIPI of $580,000 at September 30, 2020. Losses incurred by LIPI in excess of the capital accounts were allocated to the Company to the extent of the outstanding loan, accrued interest and unpaid accounting fees totaling $2,420,000 at September 30, 2020. Accordingly, losses incurred by LIPI may exceed the amounts recorded by the Company if LIPI losses exceed the Company's LIPI investment, loan to and unpaid interest and accounting fees. Subsequently, the Company will evaluate the collectability of the outstanding loan balance and accrued interest at each reporting date.

Concentrations of Credit Risk

The Company maintains its cash accounts in various deposit accounts, the balances of which are periodically in excess of federally insured limits.

Cash.

Cash consists of balances held in a commercial bank account.

Accounts Receivable

The Company carries accounts receivable at cost. On a periodic basis, management evaluates receivables to determine if any portion is uncollectible. As of September 30, 2020, the allowance for doubtful accounts totaled $24,000.

Prepaid Inventory

Prepaid inventory represents deposits placed on inventory purchases for shipments not yet received as of September 30, 2020. As of September 30, 2020, the total prepaid inventory balance was $786,000. Significant prepaid inventory is located overseas.

Inventories

Inventories consisting of finished goods are stated at the lower of cost, determined by the average cost method, or market. At September 30, 2020, the reserve for obsolete inventory totaled $183,000.

Goodwill and Other Intangible Assets

Goodwill represents costs in excess of the estimated fair values of acquired net assets in a business combination. Goodwill and other intangible assets with indefinite lives are reviewed annually for impairment. The Companies do not amortize goodwill and intangible assets with indefinite lives. Intangible assets with finite lives, consists of a non-compete agreement, amortized over the term of the agreement.

Property and Equipment

Property and equipment is stated at cost and is depreciated over the estimated useful lives ranging from three to ten years. Depreciation is computed by using the straight-line method for financial reporting purposes and straight-line and accelerated methods for income tax purposes. Property and equipment is comprised of machinery and equipment, computer equipment, leasehold improvements, software, office equipment, vehicles, and furniture and fixtures. Maintenance and repairs are charged to expense as incurred.

Impairment of Long-lived Assets

Long-lived assets and certain identifiable intangibles are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. For the period April 1, 2020 to September 30, 2020 no impairment charges were necessary.

Accounts Payable.

Accounts payable includes accrued and deferred officer compensation of $192,000 and $271,000 at September 30, 2020 and December 31, 2019, respectively, that is payable at various times and amounts on occurrence of certain performance levels or approval by the Company’s Board of Directors.

Revenue Recognition

Sales are recognized when revenue is realized or becomes realizable and has been earned, net of sales tax. In general, revenue is recognized when the earnings process is complete, and collectability is reasonably assured which is usually upon shipment of the product. Amounts billed related to shipping and handling, which are not significant, are included in revenue. As of September 30, 2020, there are no estimates of variable considerations represented in revenue.

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606),* that was adopted by TotalStone,LLC in 2019. This guidance outlines a single, comprehensive model for accounting for revenue from contracts with customers. TotalStone, LLC and Subsidiary's revenue is generated from distribution of pre-cast specialty items and thin stone products and related accessories. Those sales predominantly contain a single delivery element and revenue is recognized at a single point in time when ownership, risks, and rewards transfer.

Shipping and Handling

The Companies include shipping and handling expenses in cost of goods sold.

Advertising

Advertising and promotional expenses are expensed in the period incurred unless there are material costs that benefit future periods. The consolidated financial statements currently do not reflect any prepaid advertising expenses. Advertising expenses were $26,000 for the period from April 1, 2020 to September 30, 2020.

Loss per common share.

In determining income (loss) per common share for a period, we use weighted average shares outstanding during the period for primary shares and we utilize the treasury stock method to calculate the weighted average shares outstanding during the period for diluted shares. Utilizing the treasury stock method for 2020 and 2019, no shares were determined to be outstanding and excluded from the calculation of income (loss) per share because they were anti-dilutive. At September 30, 2020, options and warrants to purchase 2,453,000 and 6,321,930 shares, respectively, of our common stock, at exercise prices for options ranging from $.05 to $.67 per share (warrants see Note E below), were outstanding. Upon exercise of options or warrants, the shares issued will be adjusted for the 1,000 to 1 reverse stock split implemented in September 2019.

Concentrations of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash and trade accounts receivable. The Company places cash with high credit quality institutions. During the normal course of business, balances in these accounts may exceed the maximum amount insured by the FDIC.

The operations of TotalStone are included in these consolidated financial statements from the merger date of April 1, 2020, however historically, approximately nine (9) percent of TotalStone's sales are to one customer for each of the years ended December 31, 2019 and 2018. Accounts receivable related to two customers approximated thirteen (13) percent of accounts receivable as of September 30, 2020. Approximately sixty-nine (69) percent and seventy five (75) percent of TotalStone's purchases were from one vendor for the years ended December 31, 2019 and 2018, and the purchases from this vendor approximated sixty nine (69) percent of the Company's purchases for the period April 1, 2020 to September 30, 2020.

Concentrations of credit risk with respect to accounts receivable are limited due to the large number of customers comprising the Companies customer base and generally short payment terms. The Companies do not require collateral to support financial instruments subject to credit risk. In addition, the Companies routinely assess the financial strength of its customers and closely monitors the extension of credit while maintaining allowances for potential credit losses. On a periodic basis, the Companies evaluate accounts receivable and establish an allowance for doubtful accounts based on a history of past write-offs and collections and current credit considerations. Management believes there is no business vulnerability regarding concentrations of accounts receivable and sales due to the strong relationships with customers and the financial strength of such customers.

Recent Accounting Pronouncements

Leases. In February 2016 the FASB issued ASU 2016-02 *Leases (Topic 842)* and subsequently amended the guidance relating largely to transition considerations under the standard in January 2018 and July 2018. The objective of this update is to increase the transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. This ASU is effective for fiscal years beginning after December 15, 2018, including interim periods within those annual periods and is to be applied utilizing a modified retrospective approach. The new standard was adopted by the Company in the 1st quarter of 2019 and the adoption did not have a material effect on its financial position or operating results. The Company, at December 31, 2019, has recorded, for the Tempe, Arizona office lease, a right to use asset of $5,000 in Other Current Assets and a lease liability of $5,000 in Accounts Payable and Other Accrued Liabilities in the Financial Statements. The Company's Tempe, Arizona office lease expired March 31, 2020. The adoption of the new standard is a non-monetary transaction and had no effect on the Statement of Cash Flows.

TotalStone leases. The Company, in March of 2020, acquired an interest in TotalStone, LLC., a privately owned company. Totalstone is currently evaluating the requirements of FASB ASU 2016-02 *Leases (Topic 842)* and believes the adoption of the new standard will not have a material effect on its reported operating results.

Subsequent Events

The Company has evaluated subsequent events through November 16, 2020, the date which the financial statements were available to be issued.

NOTE B: DISCONTINUED OPERATIONS - DEVELOPMENT OF APO E MIMETIC PEPTIDE MOLECULE AEM-28 AND ANALOGS

On August 23, 2019 the Company adopted a Contingent Value Rights Agreement, filed on Form 8-K with the SEC on August 26, 2019, and under that agreement, the net proceeds, if any, from the Company's investment in LIPI, will be distributed to the Company's July 10, 2019 shareholders of record. Accordingly, at September 30, 2020, the Company effectively has no financial interest in LIPI, other than the possible collection of amounts owed to the Company, which currently consists of the loan, accrued interest and accounting fees described in this Note B, and LIPI's operations are shown as discontinued operations as required by ASC 205-20. As described previously, the Company has recognized losses equal to its investment in the LIPI, LIPI loan, accrued interest and unpaid accounting fees totaling $9,420,000.

LIPI History

On August 3, 2012, we entered into a Contribution Agreement with LipimetiX, LLC to form a new company, LipimetiX Development, LLC ("LIPI"), to develop Apo E mimetic molecules, including AEM-28 and its analogs. In June 2015, the LIPI converted from a limited liability company to a corporation, LipimetiX Development, Inc. The Company contributed $6 million, which included $1 million for 600,000 voting common ownership units (now common stock), representing 60% ownership in the LIPI, and $5 million for 5,000,000 non-voting preferred ownership units (now Series A Preferred Stock), which have preferential distribution rights. On March 31, 2016, the Company converted 1,500,000 shares of its preferred stock into 120,000 shares of common stock, increasing its common stock ownership from 60% to 64%. On August 11, 2017, the remaining $3,500,000 (3,500,000 shares) of Series A preferred stock became convertible, at the Company's option, into common stock, at the lower of the Series B Preferred Stock Conversion Price, as may be adjusted for certain events, or the price of the next LipimetiX Development, Inc. financing, exceeding $1,000,000 on independently set valuation and terms. On August 11, 2017, the Company purchased 93,458 shares of LipimetiX Development, Inc.'s Series B-2 Preferred Stock for $1,000,000. As discussed below, the LIPI Series B-1 and B-2 Preferred Stock issuances, because of the participating and conversion features of the preferred stock, effectively changes the Company's ownership in LIPI to 62.2%.

LipimetiX, LLC was formed by the principals of Benu BioPharma, Inc. ("Benu") and UABRF to commercialize UABRF's intellectual property related to Apo E mimetic molecules, including AEM-28 and analogs. Benu is currently composed of Dennis I. Goldberg, Ph.D. and Eric M. Morrel, Ph.D. LipimetiX, LLC contributed all intellectual property rights for Apo E mimetic molecules it owned and assigned its Exclusive License Agreement between The University of Alabama at Birmingham Research Foundation ("UABRF") and LipimetiX, LLC, for the UABRF intellectual property related to Apo E mimetic molecules AEM-28 and its analogs to LIPI, in return for 400,000 voting common ownership units (now common stock), representing a 40% ownership interest in LIPI at formation, and $378,000 in cash (for certain initial patent-related costs and legal expenses).

On August 25, 2016, LipimetiX Development, Inc. closed a Series B-1 Preferred Stock offering, raising funds of $1,012,000 ($946,000 net of issuance costs of approximately $66,000). Individual accredited investors and management participated in the financing. This initial closing of the Series B-1 Preferred Stock offering resulted in the issuance of 94,537 shares of preferred stock, convertible to an equal number of LIPI's common stock at the election of the holders and warrants to purchase an additional 33,088 shares of LIPI preferred stock, at an exercise price of $10.70, with a ten-year term.

As disclosed above, on August 11, 2017, the Company purchased 93,458 shares of LipimetiX Development, Inc.'s Series B-2 Preferred Stock for $1,000,000.

Series B (B-1 and B-2) Preferred Stock is a participating preferred stock. As a participating preferred, the preferred stock will earn a 5% dividend, payable only upon the election by LIPI or in liquidation. Prior to the LIPI common stockholders receiving distributions, the participating preferred stockholders will receive their earned dividends and payback of their original investment. Subsequently, the participating preferred will participate in future distributions on an equal "as-converted" share basis with common stockholders. The Series B Preferred Stock has "as-converted" voting rights and other terms standard to a security of this nature.

The Exclusive License Agreement assigned by LipimetiX, LLC to LIPI on formation of LIPI, as amended, calls for payment of patent filing, maintenance and other related patent fees, as well as a royalty of 3% on Net Sales of Licensed Products during the Term of the Agreement. The Agreement terminates upon the expiration of all Valid Patent Claims within the Licensed Patents, which are currently estimated to expire between 2019 and 2035. The Agreement, as amended, also calls for annual maintenance payments of $25,000, various milestone payments of $50,000 to $500,000 and minimum royalty payments of $500,000 to $1,000,000 per year commencing on January 1 of the first calendar year following the year in which the First Commercial Sale occurs. UABRF will also be paid 5% of Non-Royalty Income received.

KEY LIPI ACCOUNTING POLICIES/ACTIVITY

Revenue Recognition

Upfront License Fees: If a license to the Company's/LIPI's intellectual property is determined to be distinct from the other performance obligations identified in the arrangement, the Company/LIPI recognizes revenues from nonrefundable, upfront license fees based on the relative value prescribed to the license compared to the total value of the arrangement. The revenue is recognized when the license is transferred to the collaborator and the collaborator is able to use and benefit from the license. For licenses that are not distinct from other obligations identified in the arrangement, the Company/LIPI utilizes judgment to assess the nature of the combined performance obligation to determine whether the combined performance obligation is satisfied over time or at a point in time. If the combined performance obligation is satisfied over time, the Company/LIPI applies an appropriate method of measuring progress for purposes of recognizing revenue from nonrefundable, upfront license fees. The Company/LIPI evaluates the measure of progress each reporting period and, if necessary, adjusts the measure of performance and related revenue recognition.

As described in our Current Report on Form 8-K filed with the Securities and Exchange Commission on May 7, 2018, on May 2, 2018, LipimetiX Development, Inc., entered into a License Agreement (the "Sub-License") with Anji Pharmaceuticals Inc. ("ANJI") to sublicense, under its Exclusive License Agreement with the UAB Research Foundation, the use of LIPI's AEM-28 and analogs intellectual property in the Territory of the People's Republic of China, Taiwan and Hong Kong (the "Territory"). The Sub-License calls for an initial payment of $2,000,000, payment of a royalty on future Net Sales in the Territory and cash milestone payments based on future clinical/regulatory events. ANJI will perform all development activities allowed under the Sub-License in the Territory at its sole cost and expense. LIPI recorded the receipt of the $2,000,000 payment as revenue in the second quarter of 2018. Transaction costs related to the revenue totaled $254,000 and consisted of a $100,000 payment to the UAB Research Foundation, as required by the UAB Research Foundation Exclusive License Agreement, a $100,000 advisory fee and $54,000 in legal fees.

A copy of the UAB Research Foundation Exclusive License Agreement was attached as Exhibit 10.7 to the Company's Quarterly Report on Form 10-Q for the period ending June 30, 2012 filed with Securities and Exchange Commission ('SEC") on August 10, 2012. A copy of the First Amendment and Consent to Assignment of the Exclusive License Agreement was attached as Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q for the period ending June 30, 2012 filed with the SEC on August 10, 2012. The Second Amendment to the Exclusive License Agreement was attached as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on January 30, 2015.

Cooperation Agreement

In May 2018 LIPI entered into an agreement to cooperate with Anji Pharmaceuticals Inc. ("ANJI") in the development of AEM-28 and its analogs. LIPI entered into a License Agreement (the "Sub-License") with ANJI to sublicense, under its Exclusive License Agreement with the UAB Research Foundation, the use of LIPI's AEM-28 and analogs intellectual property in the Territory of the People's Republic of China, Taiwan and Hong Kong (the "Territory"). As both parties intend to develop AEM-28 and its analogs, conducting independent development activities would result in both parties performing the same or similar pre-clinical work and clinical trial drug development. As such, the parties agreed to cooperate by LIPI agreeing to perform certain preclinical work at its expense and for ANJI to cover the cost of clinical trial drug development. For efficiency and cost effectiveness LIPI has agreed to manage the initial clinical trial drug development. Accordingly, the vendors performing the clinical trial drug development will bill LIPI and ANJI will reimburse LIPI. As provided for in ASC 606 and ASC 808

Cooperation Arrangements, LIPI will net the reimbursements against the clinical trial drug development costs. ANJI cost and reimbursement activity under the Cooperation Agreement as of September 30, 2020 totaled $730,000. In 2019 LIPI charged costs totaling $1,165,000 related to its activities under the Cooperation Agreement, of which $1,160,000 was incurred in the nine months of 2019. No costs related to its activities under the Cooperation Agreement were incurred in 2020.

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2018-18 Collaborative Arrangements (Topic 808) - Clarifying the Interaction between Topic 808 and Topic 606. This ASU is effective for effective for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. As provided for in the ASU, LIPI has elected to early adopt the ASU. The adoption of the ASU did not have a material effect on LIPI's or Company's financial statements at September 30, 2020 or December 31, 2019.

LIPI RESULTS RECORDED BY THE COMPANY

The Company has accounted for the results of LIPI using the liquidation provisions of the LIPI operating agreement under the hypothetical liquidation at book value accounting method. As of March 31, 2018, losses incurred by LIPI exceeded the capital accounts of LIPI and the Company had recognized losses equal to its investment in LIPI ($7,000,000). The Company has a revolving loan agreement with LIPI and advanced LIPI funds for operations, with the unpaid amount due July 15, 2020, with early payment required upon certain additional funding of LIPI by non-affiliated parties. The loan balance and accrued interest at September 30, 2020 and December 31, 2019 totaled $1,840,000 and $1,800,000, respectively. The Company has also recorded accounting fees due from LIPI of $580,000 at September 30, 2020 and December 31, 2019. Losses incurred by LIPI in excess of the capital accounts were allocated to the Company to the extent of the net outstanding loan, accrued interest and unpaid accounting fees totaling $2,420,000 and $2,380,000 at September 30, 2020 and December 31, 2019, respectively. Accordingly, losses incurred by LIPI may exceed the amounts recorded by the Company if LIPI's losses exceed the Company's investment in, loan to and unpaid interest and accounting fees. At September 30, 2020 and December 31, 2019 $.7 million and $.6 million, respectively, of LIPI's losses were not recorded by the Company due to this limitation and have been allocated to noncontrolling interests.

Summarized results of LIPI, for the nine months ended September 30, prior to elimination of intercompany charges of $40 in 2020 and $240 in 2019, are as follows ("000,s"):

	2020	2019
Revenue, net	$ -	$ -
Research and development	(82)	(1,586)
Interest and other expenses	(40)	(240)
Net Income (Loss)	$ (122)	$ (1,826)

Summarized cash flow activity for the nine months ended September 30 are as follows ("000,s"):

	2020	2019
Cash balance at beginning of period	$ 41	$ 1,093
Cash provided by (used in) operating activities	$ (8)	$ (920)
Cash balance at end of period	$ 33	$ 173

NOTE C: ACCOUNTS RECEIVABLE, NET

The timing of revenue recognition, billings and cash collections results in billed accounts receivable on the consolidated balance sheet. Amounts are billed upon contractual completion in accordance with agreed-upon contractual terms. As of September 30, 2020, accounts receivable, net consisted of the following ("000,s"):

	September 30, 2020
Accounts receivable, gross	$ 7,497
Less: alowance for doubtful accounts	(24)
Total accounts receivable, net	$ 7,473

NOTE D: PROPERTY AND EQUIPMENT, NET

Property and equipment, net consisted of the following at September 30, 2020 and December 31, 2019 ("000,s"):

	September 30, 2020	December 31, 2019
Machinery and equipment	$ 460	
Computer equipment	18	-
Leasehold improvements	502	
Software	23	
Office equipment	10	
Vehicles	73	
Furniture and fixtures	92	
Subtotal	$ 1,178	$ -
Less: accumulated depreciation	(141)	
Totals	$ 1,037	$ -

Depreciation and amortization expense for the nine months ended September 30, 2020 and 2019 was $102,000 and $0 respectively.

NOTE E: SALE OF COMMON STOCK AND ISSUANCE OF SECURED DEBT

As described in our Current Report on Form 8-K filed with the Securities and Exchange Commission on July 17, 2017, on July 14, 2017, the Company entered into a Securities Purchase, Loan and Security Agreement (the "Agreement") with BP Peptides, LLC ("Brookstone"). The net proceeds have been used to fund our operations, infuse new capital into our joint venture, LipimetiX Development, Inc. ("LIPI") (As described in Note B above, in August 2017, the Company used $1,000,000 of the net proceeds to purchase 93,458 shares of LipimetiX Development, Inc.'s Series B-2 Preferred Stock.), to continue its development activities, and pay off the Convertible Promissory Notes totaling $1,000,000, plus $79,000 in accrued interest.

Pursuant to the Agreement, Brookstone funded an aggregate of $3,440,000, with net proceeds of approximately $2,074,000, after paying off the Convertible Promissory Notes and transaction costs, of which $1,012,500 was for the purchase of 13,500,000 newly issued shares of our Common Stock, and $2,427,500 was in the form of a secured loan, due October 15, 2020. On July 14, 2017 Brookstone also purchased 5,041,197 shares of the Company's Common Stock directly from Biotechnology Value Fund affiliated entities, resulting in ownership of 18,541,197 shares (18,541 shares after September 2019 1,000 to 1 reverse stock split) of the Company's Common Stock, representing approximately 34.1% of outstanding shares of the Company's Common Stock at June 30, 2019.

As described in our Current Report on Form 8-K filed with the Securities and Exchange Commission on February 1, 2018, on January 30, 2018, the Company entered into the First Amendment to Securities Purchase, Loan and Security Agreement (the "Amendment") with Brookstone. Interest on the Secured Debt was payable quarterly. The Amendment defers the payment of interest until the Secured Debt's maturity, October 15, 2020. In consideration for the deferral, the Company issued a Warrant to Brookstone to purchase up to 6,321,930 shares of the Company's Common Stock with an exercise price of $.075 per share. The warrant expires October 15, 2025 and provides for quarterly vesting of shares in amounts approximately equal to the amount of quarterly interest payable that would have been payable under the Agreement, converted into shares at $0.75. At September 30, 2020, 5,833,777 shares are fully vested and exercisable. In September 2019 the Company effected a reverse stock split of 1,000 shares to 1 share and, upon exercise, the Warrant shares actually issued will be reduced by the same ratio.

The fair value of the Warrants was determined to be $43,000. The fair value of the Warrants will be amortized over the deferral period, January 30, 2018 to October 15, 2020, on the straight-line basis, as additional interest expense. Amortization expenses totaled $14,000 and $12,000 in 2020 and 2019, respectively, and is included in Interest and other expenses, net, in the Statement of Operations.

As described in our Current Report on Form 8-K filed with the Securities and Exchange Commission on March 19, 2019, on March 15, 2019 the Company entered into the Second Amendment to Securities Purchase, Loan and Security Agreement with Brookstone which provides additional funding for our operations up to a Maximum Amount of $500,000. Any additional amounts advanced will be added to the current Loan and subject to the same terms and conditions. At Brookstone's sole discretion, the Maximum Amount may be increased to an amount not to exceed $700,000. In August 2019 the lender agreed to increase the Maximum Amount to $700,000. The Company borrowed $525,000 against the Maximum Amount through September 30, 2020.

Transaction costs of $287,000 have been deferred and will be written off over the life of the secured loan, thirty-nine months from July 14, 2017 to October 20, 2020, on the straight-line basis. Additional transaction costs of $12,000 were incurred with the Amendment and will be written off over the period of the date of the Amendment, January 30, 2018, to October 15, 2020. At September 30, 2020 transaction costs of $299,000 have been amortized, and $73,000 in 2020 and $69,000 in 2019 has been included in the Statements of Operations in Interest and Other Expenses. At December 31, 2019, unamortized transaction costs of $73,000, respectively, have been netted against the outstanding Secured Debt balance on the Balance Sheets. Interest payable on the Secured Debt is now due at loan maturity, October 15, 2020 (extended to March 31, 2022 – see below), and, at September 30, 2020 and December 31, 2019, accrued interest of $498,000 and $367,000, respectively, has been included in the Secured Debt balance on the Balance Sheets. The interest on the secured debt of $131,000, and $112,000 in 2020 and 2019, respectively, has been included in the Statements of Operations in Interest and Other Expenses.

MODIFICATION OF SECURED DEBT AND WARRANTS

In March 2020, the Company entered into the Third Amendment to Securities Purchase, Loan and Security Agreement (the "Third Amendment"). The Third Amendment extends the Secured Debt's maturity to March 31, 2022, which continues the deferral of interest until the maturity date. In consideration for the deferral, the Company has provided an option, for a period ending December 31, 2021, to convert all or part of the aggregate outstanding principal amount of the Loan, together with all accrued and unpaid interest thereon, into shares of the Company's common stock at a conversion price between $10.00 and $30.00 per share, as determined by an independent valuation. Additionally, the Company amended the Warrants to determine the exercise price per share when exercised, at a price between $10.00 and $30.00 per share (based on 6,322 shares after the reverse stock split), as determined by an independent valuation.

A summary of the Secured Debt activity is as follows ("000,s"):

	September 30, 2020		December 31, 2019	
Secured Debt	$	2,952	$	2,777
Transaction costs		(299)		(299)
	$	2,653	$	2,478
Amortization		299		226
	$	2,952	$	2,704
Accrued interest		498		367
	$	3,450	$	3,071

The secured loan bears interest at 6% per annum, with interest payable quarterly (now due at loan maturity) and is secured by a security interest in all of our assets. As part of the Agreement, the Company and Brookstone entered into a Registration Rights Agreement granting Brookstone certain demand and piggyback registration rights. A provision in the Agreement entered into with Brookstone also requires the Company to nominate two candidates for a director position that have been recommended by Brookstone as long as Brookstone beneficially owns over 20% of the Company's outstanding common stock and to nominate one candidate for a director position that has been recommended by Brookstone as long as Brookstone beneficially owns over 5% but less than 20% of the Company's outstanding common stock.

On April 18, 2017, the Company and Computershare Trust Company, N.A., as Rights Agent (the "Rights Agent") entered into Tax Benefit Preservation Plan Agreement (the "Plan"), dated as of April 18, 2017, between the Company and the Rights Agent, as described in the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on April 19, 2017. The Plan is intended to act as a deterrent to any person (together with all affiliates and associates of such person) acquiring "beneficial ownership" (as defined in the Plan) of 4.99% or more of the outstanding shares of Common Stock without the approval of the Board (an "Acquiring Person"), in an effort to protect against a possible limitation on the Company's ability to use its net operating loss carryforwards. The Board, in accordance with the Plan, granted an Exemption to Brookstone with respect to the share acquisition described above, and Brookstone's acquisition of 5,041,197 shares of the Company's Common Stock from Biotechnology Value Fund affiliated entities, making Brookstone an Exempt Person in respect of such transactions.

NOTE F: TOTALSTONE, LLC LINE OF CREDIT

On June 29, 2015, TotalStone, LLC established a Credit Agreement with Capital One, National Association. Under the agreement, TotalStone, LLC is permitted to borrow up to $5,500,000 for working capital purposes. Advances under the credit agreement are limited to a formula based amount of up to eighty-five (85%) percent of the face amount of TotalStone, LLC's "Eligible Accounts Receivable" plus sixty (60%) percent of the face amount of TotalStone, LLC's "Eligible Inventory" up to a maximum amount of $2,750,000. On November 14, 2019 TotalStone, LLC amended their line of credit with Berkshire Bank to include NMD. Under this new agreement, the TotalStone, LLC is permitted to borrow up to $11,500,000 for working capital purposes. Advances under the credit agreement are limited to a formula based amount of up to eighty-five (85%) percent of the face amount of the TotalStone, LLC "Eligible Accounts Receivable" plus sixty (60%) percent of the face amount of the TotalStone, LLC "Finish Goods Inventory" up to a maximum amount of $6,000,000. Under this agreement, TotalStone, LLC is also eligible for a "Seasonal Availability Block" up to $250,000 during the period from March 1st through November 30th of each calendar year, and zero dollars from December 1st through the last day of February. The "Seasonal Availability Block" may be reduced to $250,000 if certain financial covenants are not satisfied. Interest charged on unpaid principal amount of the Credit Agreements bear a rate per annum of LIBOR plus 2.50%.

NOTE G: TOTALSTONE, LLC TERM LOAN

The Term loan was entered into on December 30, 2017 with Berkshire Bank. Principal payments are on a straight-line basis over the course of 36 months at $48,611 per month plus interest. The interest rate will be a 30-day LIBOR plus 3.50%. The term loan was paid in full in August 2020.

NOTE H: TOTALSTONE, LLC MEZZANINE LOAN – RELATED PARTY LOAN

On October 30, 2006, TotalStone, LLC entered into a mezzanine term loan of $4,000,000 with Fifth Street Mezzanine Partners II, LP ("Fifth Street"). The note was amended on November 1, 2013 retroactive to July 1, 2013. Effective July 1, 2013, the note accrues interest at a fixed rate of 8% and is payable as follows:

a) Current pay – Accrued interest on the outstanding principal balance equal to a maximum of the rate defined in the amendment ("Current Pay Interest") shall be payable monthly in arrears, on the first day of each month. The initial interest payment was due on November 1, 2006.

b) PIK interest – Accrued interest on the outstanding principal balance in excess of Current Pay Interest (which excess is referred to in the agreement as "PIK Interest") shall be payable as follows: (1) all such PIK Interest not currently paid shall be added to the principal balance on the first day of each month and (2) at the direction of the member, following the occurrence of any Event of Default or Default (as defined in the mezzanine term loan agreement), all accrued interest, including all Current Pay Interest and all PIK Interest, shall be paid in cash on the first day of each month. Notwithstanding the foregoing, TotalStone, LLC may at its option and without incurring any prepayment fee or premium, upon three business day's prior notice to the member, elect to make cash payment to the member of the PIK Interest on the first day of each month. There was $96,000 PIK interest accrued as of September 30, 2020.

The mezzanine term loan is subordinated to the Credit Facility and is collateralized by substantially all of TotalStone, LLC's assets. There is a monthly service fee of $1,650 due until the note is paid in full. Accordingly, such borrowings under the mezzanine term note have been presented as long-term debt in the accompanying consolidated balance sheets. Cash interest payments will be made on the mezzanine term loan as long as TotalStone, LLC certifies they are not in violation of covenant requirements associated with the Credit Facility.

On March 28, 2012, Fifth Street assigned the term loan facility to BP Mezzanine Capital, LLC.

The note was amended on November 14, 2019 to extend the maturity date to November 14, 2023 and include Stream Finance, LLC as a creditor. Stream Finance, LLC amended the base interest rate. Beginning on the Amended and Restated Closing Date and continuing through the Pricing Date for the fiscal quarter of the Borrower ending March 31, 2020, the corresponding rate per annum will be 10%. Thereafter beginning on the following fiscal quarter and continuing through the maturity date as determined below, interest shall accrue on the outstanding balance of the Loan at a rate per annum equal to the Adjusted Interest Rate and shall be payable monthly in arrears, on the first day of each month (the "Interest Payment Date").

The Adjusted Interest Rate is calculated as the Base Interest Rate divided by the Adjustment Factor of .75 for any applicable period. The Base Rate is taken from Table A or Table B below that results in the highest rate per annum. The Adjusted Interest Rate shall not be more than fifteen percent (15%) per annum.

Table A or Table B

Level	Adjusted EBITDA of TotalStone (exclusive of Northeast)	Rate		Level	Adjusted EBITDA of TotalStone and Northeast	Rate
I	Greater than $2,500,000	12%		I	Greater than $4,000,000	12%
II	Less than or equal to $2,500,000, but greater than or equal to $2,000,000	10%		II	Less than or equal to $4,000,000, but greater than or equal to $3,500,000	10%
III	Less than $2,000,000	8%		III	Less than $3,500,000	8%

NOTE I: TOTALSTONE, LLC AUTO LOAN

On December 27, 2019 NMD, a wholly owned TotalStone, LLC subsidiary, obtained an auto loan from VW Credit, Inc. to purchase a vehicle. Principal and interest payments are on a straight-line basis over the course of 48 months at $830.56 a month. The interest rate on the loan is 3.99%.

The Auto Loan at September 30, 2020 consisted of the following ("000's"):

	September 30, 2020
Auto loan	$ 32
Less: current portion	(1)
Long-term portion	$ 31

The following is a schedule approximating the remaining payments at September 30, 2020 on the auto loan for the years ended December 31 in ("000,s"):

2020	$ 1
2021	10
2022	10
2023	11
	$ 32

NOTE J: TOTALSTONE, LLC NMD SELLER'S NOTE AND CONTIGENT VALUE NOTE

On November 13, 2019, NMD entered into a seller's note with Avelina Masonry, LLC (the "Seller") totaling $2,007,017. The note is due in consecutive, monthly principal payments in the amount of $48,000, to commence on June 13, 2021. The final lump sum payment consisting of interest and unpaid principal is due on its maturity date, November 13, 2022. Interest shall begin to accrue on November 13, 2019 at a rate per annum equal to the sum of LIBOR plus four and one-half percent (4.50%).

	September 30, 2020
NMD Seller's note payable	$ 2,007
Long-term Seller's note	$ 2,007

NOTE K: LONG TERM CONTINGENT VALUE NOTE

On November 14, 2019, NMD contracted to a non-negotiable secured subordinated contingent value promissory with Avelina Masonry, LLC and James Palatine (the "Sellers"). The Earned Amount is comprised of a tranche of up to $462,500 with respect to the 2020 NMD Gross Profit (the "2020 Tranche") and a tranche of up to $462,500 with respect to the 2021 NMD Gross Profit (the "2021 Tranche"). Both tranches have a scheduled payment date of June 15, 2022.

The 2020 Tranche shall be equal to: (A)$462,500, if and only if the 2020 NMD Gross Profit equals or exceeds the Target Gross Profit (the "2020 Condition"), (B) $0, if and only if (x) the 2020 Condition was not satisfied and (y) and the 2020 NMD Gross Profit is less than or equal to 90% of the Target Gross Profit, and (C) if and only if (x) the 2020 Condition was not satisfied and (y) and the 2020 NMD Gross Profit is greater than 90% of the Target Gross Profit but less than 100% of the Target Gross Profit (such percentage of Target Gross Profit, the "2020 Result"), the amount equal to (1) the 2020 Result's percentage of the range from 90% up to 100% multiplied by (2) $462,500 (e.g., (x) a 2020 Result of 95% is 50% of the range from 90% up to 100%, which results in a 2020 Tranche of $231,250 (i.e., 50% * $462,500); (y) a 2020 Result of 92.5% is 25% of the range from 90% up to 100%, which results in a 2020 Tranche of $115,625 (i.e., 25% * $462,500)).

The 2021 Tranche shall be equal to: (A)$462,500, if and only if the 2021 NMD Gross Profit equals or exceeds the Target Gross Profit (the "2021 Condition"), (B) $0, if and only if (x) the 2021Condition was not satisfied and (y) and the 2021 NMD Gross Profit is less than or equal to 90% of the Target Gross Profit, and (C) if and only if (x) the 2021 Condition was not satisfied and (y) and the 2021 NMD Gross Profit is greater than 90% of the Target Gross Profit but less than 100% of the Target Gross Profit (such percentage of Target Gross Profit, the "2021 Result"), the amount equal to (1) the 2020 Result's percentage of the range from 90% up to 100% multiplied by (2) $462,500 (e.g., (x) a 2020 Result of 95% is 50% of the range from 90% up to 100%, which results in a 2020 Tranche of $231,250 (i.e., 50% * $462,500); (y) a 2020 Result of 92.5% is 25% of the range from 90% up to 100%, which results in a 2020 Tranche of $115,625 (i.e., 25% * $462,500)).

(iv) Each of the 2021 Tranche and the 2022 Tranche shall be $462,500 if and only if (A) the 2020 Condition or the 2021 Condition is not satisfied, and (y) the average of the 2020 NMD Gross Profit and the 2021 NMD Gross Profit is equal to or greater than 110% of the Target Gross Profit (the "Combined Condition").

The promissory note shall accrue interest at the rate of the greater of three percent (3%) per annum, or the applicable federal rate beginning on the date of the note through December 31st of the year in which the tranche is calculated, but no later than December 31, 2021. Interest shall accrue at the rate of seven percent (7%) on the applicable earned amount per annum until the earned amount is paid in full on June 15, 2022.

At September 30, 2020, the Company has determined that it is probable that the long-term contingent value note Tranches will be earned and the Company has accrued a liability of $950,000.

NOTE L: INCOME TAXES

At December 31, 2019 we had accumulated approximately $150 million in federal and $16 million in state net operating loss carryforwards ("NOLs") and approximately $5.4 million of research and development and alternative minimum tax credit carryforwards. The federal NOLs expire between 2023 and 2039. The Arizona state NOL's expire between 2032 and 2039. The availability of these NOL's to offset future taxable income could be limited in the event of a change in ownership, as defined in Section 382 of the Internal Revenue Code.

At December 31, 2019 the Company had a deferred tax asset of approximately $38 million. As required by ASC 740, Management has evaluated the available evidence about future taxable income and other possible sources of realization of deferred tax assets and has established a valuation allowance of approximately $38 million at December 31, 2019. The valuation allowance reduces deferred tax assets to an amount that management believes will more likely than not be realized.

We did not file a consolidated tax return with LIPI but will file a consolidated tax return for Federal and State purposes with Totalstone, LLC, subsequent to the merger date of April 1, 2020. Totalstone, LLC is a limited liability company and, in general, is a non-income tax paying entity and its income or losses will be included in its common stock holders Federal and State income tax returns based on their period of ownership.

In 2020 the Company received CARE Act funds of $780,000, as described in Note R. These funds, if the government approves the Company's loan forgiveness application (not yet filed) will result in equal amounts of non-tax-deductible expenses. Federal taxable income for the nine-month period ended September 30, 2020 is anticipated to be offset by the Company's net operating loss carryovers. State taxable income for the nine-month period ended September 30, 2020 was approximately $594,000 and the Company has accrued $68,000 at September 30, 2020 as an estimate of State income taxes payable based on the Company's state estimated income tax rate of 8.00%.

NOTE M: STOCKHOLDERS EQUITY

In May 2006, our stockholders approved the 2005 Equity Incentive Plan (the "2005 Plan") and reserved 2,000,000 shares of our common stock for issuance. Our stockholders approved the reservation of an additional 1,750,000 shares of common stock for issuance under the 2005 Plan, which increased the total shares available for grant under the 2005 Plan to 3,750,000 shares. The 2005 Plan expired in April 2015. In June 2015, our stockholders approved the 2015 Equity Incentive Plan (the "2015 Plan") and reserved 1,000,000 shares of our common stock for issuance. At September 30, 2020, no shares remained available to grant under the Plans (the 2005 plan and the 2015 plan are collectively referred to as "The Plans") and all granted shares are fully vested.

We use the Black-Scholes model to determine the total fair value of options to purchase shares of our common stock. No options were granted in 2020 or 2019.

Summary

There was no non-cash stock compensation cost for 2020 or 2019. Non-cash stock compensation cost, if any, would be recorded as a general and administrative expense in the Statement of Operations.

No options were exercised in 2020 and 2019.

At September 30, 2020, there was no remaining unamortized non-cash stock compensation costs.

In March 2019, the Company filed Post-Effective Amendments to the Form S-8s for our 2005 Equity Incentive Plan and our 2015 Equity Incentive Plan to terminate the effectiveness of the Registration Statements and to remove from registration all securities that remain unsold under the Plans. This action does not affect the terms of the outstanding options but may subject subsequently exercised options to additional resale restrictions or requirements.

In September 2019 the Company effected a reverse stock split of 1,000 shares to 1 share. The chart below has not been adjusted for the reverse stock split as the Company's intent is to allow the exercise of the options on their original terms and then adjust the Option shares actually issued by the 1,000 shares to 1 reverse stock split ratio. A summary of option activity under our stock option plans for the three months ended September 30, 2020 and the year ended December 31, 2019 is as follows:

	2020		2019		
	Number of Options	Weighted average exercise price	Number of Options	Weighted average exercise price	Weighted average remaining contractual term (years)
Options outstanding at the beginning of the period/year:	2,707,000	$ 0.28	3,007,000	$ 0.29	
Granted	-		-		
Exercised	-		-		
Expired/Forfeited	(254,000)	$ 0.80	(300,000)	$ 0.45	
Outstanding at end of period/year	2,453,000	$ 0.22	2,707,000	$ 0.28	3.3
Options exercisable at end of period/year	2,453,000	$ 0.22	2,707,000	$ 0.28	3.3
Options vested and expected to vest at end of period/year	2,453,000	$ 0.22	2,707,000	$ 0.28	3.3

As described in our Current Report on Form 8-K filed with the Securities and Exchange Commission on February 1, 2018, on January 30, 2018, the Company entered into the First Amendment to Securities Purchase, Loan and Security Agreement (the "Amendment") with BP Peptides, LLC ("Brookstone"). Brookstone currently owns approximately 34.1% of our outstanding common stock. Under the original Agreement (see Note C), interest on the Secured Debt was payable quarterly. The Amendment defers the payment of interest until the Secured Debt's maturity, October 15, 2020. In consideration for the deferral, the Company issued a Warrant to Brookstone to purchase up to 6,321,930 shares of the Company's Common Stock with an exercise price of $.075 per share. The warrant expires October 15, 2025 and provides for quarterly vesting of shares in amounts approximately equal to the amount of quarterly interest payable that would have been payable under the Agreement, converted into shares at $.075. At September 30, 2020, 5,833,777 shares are fully vested and exercisable. In September 2019 the Company effected a reverse stock split of 1,000 shares to 1 share and, upon exercise, the Warrant shares actually issued will be reduced by the same ratio.

In March 2020, the Company entered into the Third Amendment to Securities Purchase, Loan and Security Agreement (the "Third Amendment"). The Third Amendment extends the Secured Debt's maturity to March 31, 2022, which continues the deferral of interest until the maturity date. In consideration for the deferral, the Company has provided an option, for a period ending December 31, 2021, to convert all or part of the aggregate outstanding principal amount of the Loan, together with all accrued and unpaid interest thereon, into shares of the Company's common stock at a conversion price between $10.00 and $30.00 per share, as determined by an independent valuation. Additionally, the Company amended the Warrants to determine the exercise price per share when exercised, at a price between $10.00 and $30.00 per share (based on 6,322 shares after the reverse stock split), as determined by an independent valuation.

NOTE N: COMMITTMENTS AND CAPITAL LEASES

Rent expense for the six months ended September 30, 2020 and 2019, was $436,000 and $29,000, respectively.

In 2007, the Company entered into a lease for office space in a Tempe, Arizona office and research facility. This lease has been extended to March 31, 2020. Effective March 1, 2018 the rentable square feet of space was reduced to 1,379 square feet, with monthly rental payments of approximately $2,500 plus a proportionate share of building operating expenses and property taxes. Effective April 1, 2020 the Company moved its office to a shared facility with Totalstone, LLC .

During 2019, TotalStone, LLC entered into various capital leases for equipment and automobiles. As of September 30, 2020, assets recorded under the capital leases were $73,000, and accumulated depreciation was $8,565. As of September 30, 2020, capital lease obligations included in current liabilities were $5,000 and capital lease obligations in long-term liabilities were $46,000 for total capital lease liabilities $51,000.

2020	$ 5
2021	$ 13
2022	$ 13
2023	$ 13
2024	$ 7
	$ 51

The Companies had noncancelable operating leases for office, warehouse space, and vehicles with expiration dates through May 31, 2023.

Future minimum lease payments under non-cancellable lease as of September 30, 2020 are as follows ("000's"):

2020	$ 72
2021	$ 221
2022	$ 156
2023	$ 68
	$ 517

NOTE M: AUTHORIZED PREFERRED STOCK

We have 2,000,000 shares of authorized preferred stock, the terms of which may be fixed by our Board of Directors. We presently have no outstanding shares of preferred stock. Our Board of Directors has the authority, without stockholder approval, to create and issue one or more series of such preferred stock and to determine the voting, dividend and other rights of holders of such preferred stock. If we raise additional funds to continue operations, we may issue preferred stock. The issuance of any of such series of preferred stock may have an adverse effect on the holders of common stock.

The Board of Directors of the Company approved a Tax Benefit Preservation Plan ("Benefit Plan") dated April 18, 2017, between the Company and Computershare. The Benefit Plan and the exercise of rights to purchase Series A Preferred Stock, pursuant to the terms thereof, may delay, defer or prevent a change in control without the approval of the Board. In addition to the anti-takeover effects of the rights granted under the Benefit Plan, the issuance of preferred stock, generally, could have a dilutive effect on our stockholders.

Under the Benefit Plan, each outstanding share of our common stock has attached one preferred stock purchase right. Each share of our common stock subsequently issued prior to the expiration of the Benefit Plan will likewise have attached one right. Under specified circumstances involving an "ownership change," as defined in Section 382 of the Internal Revenue Code (the "Code"), the right under the Benefit Plan that attaches to each share of our common stock will entitle the holder thereof to purchase 1/100 of a share of our Series A preferred stock for a purchase price of $5.00 (subject to adjustment), and to receive, upon exercise, shares of our common stock having a value equal to two times the exercise price of the right. The Benefit Plan expires December 31, 2023.

NOTE O: MERGER TRANSACTION TOTALSTONE, LLC CLASS B PREFERRED UNITS

In March 2020, the Company entered into an agreement, which was effective April 1, 2020, to obtain an interest in a materials distribution company (TotalStone, LLC) that distributes masonry stone products for residential and commercial construction in the Midwest and Northeast United States, under the trade names Instone and Northeast Masonry Distributors (NMD), which going forward will be the Company's primary business activity. The Company will initially own 100% of TotalStone's outstanding common units and receive certain funding from TotalStone, in exchange for the potential benefits to the combined organization from the use of the Company's Federal Net Operating Loss and other tax benefit carryovers. The existing holders of TotalStone's common stock received Class B preferred units valued at $20,500,000, with a quarterly dividend, that if not paid, is added to the preferred units' value, at a rate of between 7% and 20% based on TotalStone's financial performance. The preferred units are redeemable July 1, 2023 (thirty-nine (39) months) and if not redeemed the Class B stockholders will be allowed to appoint three of the five TotalStone, LLC. Board of Directors' members (they now appoint two members).

The accrued preferred return totaled $1,384,000 for April 1, 2020 (merger date) to September 30, 2020.

As part of the merger, the Mezzanine lender accepted $873,000 as a special preferred membership interest in lieu of debt. The special preferred membership interest has a preferential distribution position but does not earn a preferred return.

GAAP defines the acquirer in a business combination as the entity that obtains control of one or more businesses in a business combination and establishes the acquisition date as the date that the acquirer achieves control. GAAP requires an acquirer to recognize the assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree at the acquisition date, measured at their fair values as of that date. GAAP also requires the acquirer to recognize contingent consideration at the acquisition date, measured at its fair value at that date.

The following table summarizes the fair values of the assets acquired and liabilities assumed at the acquisition date ("000's"):

	Acquisition Date
Accounts receivable	$ 6,044
Inventory	9,543
Prepaid Inventory	784
Prepaid expenses and other assets	344
Property and equipment, net	1,178
Other long-term assets	45
Total identifieable assets	17,938
Assumed current liabilities	(13,126)
Assumed notes/loans payable	(454)
Assumed other lon-term obligations	(6,258)
Assumed liabilities	(19,838)
Class B common units	(21,373)
Goodwill acquired	$ 23,273

The Class B common units consisted of the following:

	Acquisition Date
Class B membership	$ 20,500
Special preferred membership interest	873
	$ 21,373

The Company estimated the total fair value of the business utilizing historical results, projections of possible future operating results and the assistance on an independent valuation consulting firm.

Effective April 1, 2020, TotalStone, LLC issued warrants to purchase 1,175 Class A Common Interests (approximately 11.75% of Class A Common Interests if exercised), with an exercise price of $.01 per share and exercisable until March 31, 2030.

NOTE P: RELATED PARTY TRANSACTIONS

TotalStone, LLC is party to an agreement with a related party, BP Peptides, LLC, whereby such entity will provide consulting services totaling $400,000 per annum, billed quarterly (please see note H). The agreement also provides for an additional management fee equal to 5% of EBITDA in excess of $4,000,000. Amounts incurred for such consulting services totaled $200,000 for services April 1, 2020 thru September 30, 2020 and amounts accrued for such consulting services totaled $825,000 as of September 30, 2020 and is included as a non-current liability in the accompanying consolidated financial statements.

Stream Finance is managed by Brookstone Partners, which has 34.1% ownership and two board member seats of the Company.

TotalStone, LLC is currently leasing a facility from a former officer and current Board Member of TotalStone, LLC for $29,000 per month.

NOTE Q: TOTALSTONE, LLC 401(K) RETIREMENT SAVINGS PLAN

TotalStone, LLC maintain a defined contribution pension plan, which covers all employees electing to participate after completing certain service requirements. Employer contributions are made at the Companies discretion. Generally, the Companies make safe harbor matching contributions equal to 100% of employee contribution up to 4% of the employee's Plan Compensation, as defined. Each participant is 100% vested in their salary deferral and the safe harbor Company's matching contributions. Other employer discretionary contributions are subject to a graded vesting schedule.

NOTE R: CARE ACT FUNDING

On April 26, 2020, the Company received $780,000 of proceeds in connection with its incurrence of a loan under the PPP which was created through the Coronavirus Aid, Relief, and Economic Act ("CARES Act") and is administered by the U.S. Small Business Administration ("SBA"). The application for these funds requires the Company to, in good faith, certify that the current economic uncertainty made the loan request necessary to support the ongoing operations of the Company. This certification further requires the Company to take into account our current business activity and our ability to access other sources of liquidity sufficient to support ongoing operations in a manner that is not significantly detrimental to the business. The receipt of these funds, and the forgiveness of the loan attendant to these funds, is dependent on the Company having initially qualified for the loan and qualifying for the forgiveness of such loan based on our future adherence to the forgiveness criteria. The loan has a fixed interest rate of 1% and matures in two years. Interest payments are deferred for six months.

Pursuant to the CARES Act and implementing rules and regulations, the Company may apply to the SBA for the PPP loan to be forgiven in whole or in part beginning no sooner than seven weeks from the date of initial disbursement. The Company intends to use the proceeds of the PPP loan for purposes consistent with the PPP. While the Company currently believes that its use of the loan proceeds will meet the conditions for forgiveness of the loan, the Company cannot assure that it will be eligible for forgiveness of the loan, in whole or in part. Any PPP loan balance remaining following forgiveness by the SBA will be fully re-amortized over the remaining term of the loan.

Item 4. Management's Discussion and Analysis of Plan of Operation.

These statements are based on current expectations and assumptions regarding future events and business performance and involve known and unknown risks, uncertainties and other factors that may cause industry trends or our actual results, level of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these statements. These financial statements and notes thereto should be read in conjunction with the audited financial statements and related notes included in our Annual Report for the fiscal year ended December 31, 2019, filed with the OTCQB on March 27, 2020 and our Annual Report for the fiscal year ended December 31, 2018, filed with the Securities and Exchange commission on March 22, 2019. The Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

The following is management's discussion of significant events in the three and nine months ended September 30, 2020 and 2019, and factors that affected our financial condition and results of operations.

On August 23, 2019 the Company adopted a Contingent Value Rights Agreement, filed on Form 8-K with the SEC on August 26, 2019, and under that agreement, the net proceeds, if any, from the Company's investment in LIPI, will be distributed to the Company's July 10, 2019 shareholders of record. Accordingly, at December 31, 2019, the Company effectively has no financial interest in LIPI, other than the possible collection of amounts owed to the Company, which currently consists of the loan, accrued interest and accounting fees described in Note B in the Company's financial statements, and the LIPI operations are shown as discontinued operations as required by ASC 205-20. As described previously, the Company has recognized losses equal to its investment in LIPI, LIPI loan, accrued interest and unpaid accounting fees totaling $9,380,000. Losses incurred by LIPI may exceed the amounts recorded by the Company if LIPI'sI losses exceed the Company's investment in, loan to and unpaid interest and accounting fees. At September 30, 2020 $.7 million of LIPI's losses were not recorded by the Company due to this limitation.

As described in Note O to the Financial Statements included in this Quarterly Report, in March 2020 the Company entered into a transaction, which will be effective April 1, 2020, whereby it has obtained an interest in a materials distribution company (Totalstone, LLC) that distributes masonry stone products for residential and commercial construction in the Midwest and Northeast United States, under the trade names Instone and Northeast Masonry Distributors (NMD), which going forward will be the Company's primary business activity.

In December 2019, an outbreak of a new strain of coronavirus, COVID-19, emerged in Wuhan, China. Within weeks, the number of those infected grew significantly, and beyond China's borders. As of the date of this report, the coronavirus has spread globally. The coronavirus outbreak is still evolving, and its effects remain unknown. The Companies are unable to predict how changing global economic conditions such as the COVID-19 coronavirus will affect operations.

CONTINUING OPERATIONS

Results of Operations Comparing Three Months Ended September 30, 2020 to 2019.

General and Administrative ("G&A") Expenses: G&A (expenses) related to our ongoing operations were ($2,666,000) in 2020 compared to ($215,000) in 2019. Administration expenses increased between 2020 and 2019 due to TotalStone operations.

Interest and other income (expense), net: Interest and other income (expense), net was ($203,000) for 2020 compared to ($67,000) for 2019. The amounts represent interest recorded on the Secured Debt, Mezzanine Debt, Term Loan, Line of Credit, Seller's Note, Contingent Value Note, and on the issuance of Warrants.

TotalStone Class B units preferred return: The Class B units, valued at $20,500,000 at April 1, 2020, earn a quarterly dividend, that if not paid, is added to the Class B unit's' value, at a rate of between 7% and 20% based on TotalStone's financial performance. The preferred return recorded for the third quarter of 2020 was $692,000.

Net Income (Loss) attributable to Capstone Therapeutics stockholders: We incurred a net income in 2020 of $.6 million compared to a net (loss) of ($.3) million in 2019. Net income (loss) increased between periods after considering the effect of discontinued operations and inclusion of TotalStone operations.

Results of Operations Comparing Six Months Ended September 30, 2020 to 2019.

General and Administrative ("G&A") Expenses: G&A (expenses) related to our ongoing operations were ($5,077,000) in 2020 compared to ($582,000) in 2019. Administration expenses increased between 2020 and 2019 due to TotalStone operations.

Interest and other income (expense), net: Interest and other income (expense), net was ($601,000) for 2020 compared to ($194,000) for 2019. The amounts represent interest recorded on the Secured Debt, Mezzanine Debt, Term Loan, Line of Credit, Seller's Note, Contingent Value Note, and on the issuance of Warrants.

TotalStone Class B units preferred return: The Class B units, valued at $20,500,000 at April 1, 2020, earn a quarterly dividend, that if not paid, is added to the Class B unit's value, at a rate of between 7% and 20% based on TotalStone's financial performance. The preferred return recorded for the six months ended September 30, 2020 was $1,384,000.

Net Income (Loss) attributable to Capstone Therapeutics stockholders: We incurred a net income in 2020 of $.5 million compared to a net (loss) of ($1.9) million in 2019. Net (loss) decreased between periods after considering the effect of discontinued operations and inclusion of TotalStone operations.

CONTINUING OPERATIONS - Liquidity and Capital Resources

With the sale of our Bone Device Business in November 2003, we sold all of our revenue producing operations. Since that time, we have primarily relied on our cash and investments to finance all our operations, the focus of which has been research and development of our product candidates. Effective April 1, 2020, the Company has obtained an interest in a materials distribution company (Totalstone, LLC) that distributes masonry stone products for residential and commercial construction in the Midwest and Northeast United States, under the trade names Instone and Northeast Masonry Distributors (NMD), which going forward will be the Company's primary business activity and primary funding source. Management believes that the operations of TotalStone, LLC will be sufficient to enable the Company to continue as a going concern.

At September 30, 2020, we had continuing operations cash of $337,000. The Company maintains a minimum cash balance as it utilizes a line of credit at TotalStone, LLC by which most extra cash is used to pay down the line and then reborrowed when needed.

At September 30, 2020, the Company has a secured loan of $2,952,500 and deferred interest of $498,000, all payable October 15, 2022 (extended to March 31, 2022 – see Note E in this Quarterly Report), to BP Peptides, LLC, an entity that at September 30, 2020 owns approximately 34.1% of the Company's common stock. Interest on the secured loan, at a rate of 6% per annum, is payable on the maturity date of the secured loan.

Item 5. Legal Proceedings

Litigation From time to time, we may become subject to other legal proceedings, claims and litigation arising in the ordinary course of business. Litigation can be expensive, lengthy and disruptive to normal business operations. Moreover, the results of complex legal proceedings are difficult to predict. An unfavorable resolution of a particular lawsuit or proceeding could have a material adverse effect on our results of operations, financial position or cash flows. Except as noted below, the Company is not a party to any material legal proceedings nor is the Company aware of any pending or threatened litigation that, in its opinion, would have a material adverse effect on its business or its financial position, results of operations or cash flows should such litigation be resolved unfavorably.

Item 6. Defaults upon Senior Securities.

None.

Item 7. Other Information.

None.

Item 8. Exhibits.

The following is a list of all contracts which the Company is a party to, and which currently can reasonably be regarded as material to a security holder of the Company as of the date of this Quarterly Report:

Exhibit No.	Description	Incorporated by Reference To:
3.1	Amended and Restated Certificate of Designation of Series A Preferred Stock, executed June 24, 2014	Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission ("SEC") on June 24, 2014
3.2 P	Bylaws of the Company	Exhibit 3.4 to the Company's Amendment No. 2 to Registration Statement on Form S-1 (No. 33-47569) filed with the SEC on January 25, 1993 ("January 1993 S-1")
3.3	Restated Certificate of Incorporation, as amended through June 24, 2014	Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2014, filed with the SEC on August 14, 2014
3.4	Second Amended and Restated Certificate of Incorporation as amended through June 22, 2015, including the Amended and Restated Certificate of Designation of Series A Preferred Stock	Exhibit 3.1 to the Company's Registration Statement filed on Form S-1 with the SEC on June 26, 2015
3.5	LipimetiX Development, Inc., Certificate of Incorporation and By Laws	Exhibit 3.3 to the Company's Registration Statement filed on Form S-1 with the SEC on June 26, 2015
3.6	Certificate of Amendment to the Restated Certificate of Incorporation	Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the SEC on August 26, 2019
10.1 P	Form of Indemnification Agreement (*)	Exhibit 10.16 to the Company's January 1993 S-1
10.2	Director Compensation Plan, effective June 10, 2005 (1)	Exhibit 10.2 to the Company's Quarterly Report Form 10-Q for the quarterly period ended June 30, 2005, filed with the SEC on August 9, 2005
10.3	Employment Agreement dated January 10, 2006 between the Company and Les M. Taeger (1)	Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on January 11, 2006 (the "January 11th 8-K")
10.4	Intellectual Property, Confidentiality and Non-Competition Agreement between the Company and Les M. Taeger dated January 10, 2006 (1)	Exhibit 10.2 to the January 11th 8-K
10.5	Amendment to Employment Agreement dated January 10, 2006 between OrthoLogic Corp. and Les Taeger (1)	Exhibit 10.3 to the Company's June 2006 10-Q
10.6	Contribution Agreement by and among LipimetiX, LLC, Capstone Therapeutics Corp., LipimetiX Development, LLC, The UAB Research Foundation, Dennis I. Goldberg, Ph.D. ("Goldberg"), Philip M. Friden, Ph.D., Eric Morrell, Ph.D., G. M. Anantharamaiah, Ph.D. and Palgunachari Mayakonda, Ph.D., Frederick Meyer,	Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the period ended June 30, 2012, filed with the SEC on August 10, 2012

	Ph.D., Michael Webb, and Jeffrey Elton, Ph.D., effective as of August 3, 2012.	
10.7	Limited Liability Company Agreement of LipimetiX Development, LLC, by and among LipimetiX Development, LLC, Capstone Therapeutics Corp., and the other members and managers party thereto, effective as of August 3, 2012.	Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the period ended June 30, 2012, filed with the SEC on August 10, 2012
10.8	First Amendment and Consent to Assignment of Exclusive License Agreement by and among The UAB Research Foundation, LipimetiX, LLC and LipimetiX Development, LLC, dated as of August 3, 2012.	Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q for the period ended June 30, 2012, filed with the SEC on August 10, 2012
10.9	Management Agreement by and among LipimetiX Development, LLC, Benu BioPharma, Inc., Dennis I. Goldberg, Ph.D., Phillip M. Friden, Ph.D., and Eric M. Morrel, Ph.D., effective as of August 3, 2012.	Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q for the period ended June 30, 2012, filed with the SEC on August 10, 2012
10.10	Accounting Services Agreement by and among LipimetiX Development, LLC and Capstone Therapeutics Corp., effective as of August 3, 2012	Exhibit 10.5 to the Company's Quarterly Report on Form 10-Q for the period ended June 30, 2012, filed with the SEC on August 10, 2012
10.11	Escrow Agreement by and among Capstone Therapeutics Corp., LipimetiX Development, LLC dated as of August 3, 2012	Exhibit 10.6 to the Company's Quarterly Report on Form 10-Q for the period ended June 30, 2012, filed with the SEC on August 10, 2012
10.12	Exclusive License Agreement between the UAB Research Foundation and LipimetiX LLC dated August 26, 2011	Exhibit 10.7 to the Company's Quarterly Report on Form 10-Q for the period ended June 30, 2012, filed with the SEC on August 10, 2012
10.13	Second Amendment to Exclusive License Agreement between the UAB Research Foundation and LipimetiX, LLC, last signed on January 26, 2015	Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on January 30, 2015
10.14	Capstone Therapeutics Corp. Joint Venture Bonus Plan (1)	Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the period ended September 30, 2012, filed with the SEC on November 8, 2012
10.15	Accounting Services Agreement Amendment #1, dated August 23, 2013	Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the period ended September 30, 2013, filed with the SEC on November 12, 2013
10.16	Form of Incentive Stock Option Grant Letters under the 2015 Equity Incentive Plan **	Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the SEC on June 22, 2015
10.17	Form of Director Non-Qualified Stock Option Grant Letters under the 2015 Equity Incentive Plan **	Exhibit 10.3 to the Company's Current Report on Form 8-K filed with the SEC on June 22, 2015
10.18	Form of Non-Qualified Stock Option Grant Letters under the 2015 Equity Incentive Plan **	Exhibit 10.4 to the Company's Current Report on Form 8-K filed with the SEC on June 22, 2015

10.19	2015 Equity Incentive Plan	Appendix A to the Company's Definitive Proxy Statement filed on Schedule 14A with the SEC on May 8, 2015
10.20	LipimetiX Development Certificate of Conversion from a Delaware Limited Liability Company to a Delaware Corporation Effective as of June 25, 2015	Exhibit 2.1 to the Company's Registration Statement filed on Form S-1 with the SEC on June 26, 2015
10.21	LipimetiX Development Plan of Conversion Effective as of June 25, 2015	Exhibit 2.2 to the Company's Registration Statement filed on Form S-1 with the SEC on June 26, 2015
10.22	Stockholders Agreement dated June 23, 2015 by and among LipimetiX Development, Inc. and Stockholders	Exhibit 10.31 to the Company's Registration Statement filed on Form S-1 with the SEC on June 26, 2015
10.23	Securities Purchase Agreement between Company and Lenders dated December 11, 2015	Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on December 15, 2015
10.24	Convertible Promissory Note between the Company and Biotechnology Value Fund, L.P., dated December 11, 2015	Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the SEC on December 15, 2015
10.25	Convertible Promissory Note between the Company and Biotechnology Value Fund II, L.P., dated December 11, 2015	Exhibit 10.3 to the Company's Current Report on Form 8-K filed with the SEC on December 15, 2015
10.26	Convertible Promissory Note between the Company and Biotechnology Value Trading Fund OS, L.P., dated December 11, 2015	Exhibit 10.4 to the Company's Current Report on Form 8-K filed with the SEC on December 15, 2015
10.27	Convertible Promissory Note between the Company and Investment 10, LLC., dated December 11, 2015	Exhibit 10.5 to the Company's Current Report on Form 8-K filed with the SEC on December 15, 2015
10.28	Convertible Promissory Note between the Company and MSI BVF SPV, LLC., dated December 11, 2015	Exhibit 10.6 to the Company's Current Report on Form 8-K filed with the SEC on December 15, 2015
10.29	LipimetiX Development, Inc, Series B Preferred Stock and Warrant Purchase Agreement effective August 25, 2016	Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on August 26, 2016
10.30	Series B Preferred Stock and Warrant Purchase Agreement – Exhibit B – Form of Warrants	Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the SEC on August 26, 2016
10.31	Series B Preferred Stock and Warrant Purchase Agreement – Exhibit C – Form of Amended and Restated Certificate of Incorporation of LipimetiX Development, Inc.	Exhibit 10.3 to the Company's Current Report on Form 8-K filed with the SEC on August 26, 2016
10.32	Series B Preferred Stock and Warrant Purchase Agreement – Exhibit F – Form of Registration Rights Agreement	Exhibit 10.4 to the Company's Current Report on Form 8-K filed with the SEC on August 26, 2016
10.33	Series B Preferred Stock and Warrant Purchase Agreement – Exhibit G – Form of Amended and Restated Stockholders Agreement among LipimetiX	Exhibit 10.5 to the Company's Current Report on Form 8-K filed with the SEC on August 26, 2016

	Development, Inc. and The Stockholders Named Herein	
10.34	Securities Purchase, Loan and Security Agreement dated July 14, 2017, by and between Capstone Therapeutics Corp. and BP Peptides, LLC	Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on July 17, 2017
10.35	Promisary Note dated July 14, 2017, payable to BP Peptide, LLC	Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the SEC on July 17, 2017
10.36	Registration Rights Agreement dated July 14, 2017, by and between Capstone Therapeutics Corp. and BP Peptides, LLC	Exhibit 10.3 to the Company's Current Report on Form 8-K filed with the SEC on July 17, 2017
10.37	Series B-2 Preferred Stock Purchase Agreement, dated August 11, 2017, by and between Capstone Therapeutics Corp. and LipimetiX Development, Inc.	Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed with the SEC on August 14, 2017
10.38	First Amendment to the Amended and Restated Stockholders Agreement of LipimetiX Development, Inc., dated August 11, 2017	Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q filed with the SEC on August 14, 2017
10.39	Joinder of August 25, 2016 Registration Rights Agreement of LipimetiX Development, Inc., dated August 11, 2017	Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q filed with the SEC on August 14, 2017
10.40	Certificate of Amendment of Amended and Restated Certificate of Incorporation of LipimetiX Development, Inc.	Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q filed with the SEC on August 14, 2017
10.41	First Amendment to Bylaws of LipimentiX Development, Inc., dated August 11, 2017	Exhibit 10.5 to the Company's Quarterly Report on Form 10-Q filed with the SEC on August 14, 2017
10.42	First Amendment to Securities Purchase Loan and Security Agreement dated January 30, 2018, by and between Capstone Therapeutics, Corp. and BP Peptides, LLC	Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on February 1, 2018
10.43	Warrant to Purchase Common Stock dated January 30, 2018	Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the SEC on February 1, 2018
10.44	License Agreement dated May 2, 2018 by and between LipimetiX Development, Inc. and Anji Pharmaceuticals Inc.	Exhibit 10.1 to our Current Report on Form 8-K filed with the SEC on May 7, 2018
10.45	LipimetiX Development, Inc. Contingent Value Rights Agreement dated August 23, 2019 by and among Capstone Therapeutics Corp., the Shareholder Representative and Computershare Inc., and Computershare Trust Company, N.A.. as Rights Agent	Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on August 26, 2019

10.46	Second Amendment to Securities Purchase Loan and Security Agreement dated March 15, 2019, by and between Capstone Therapeutics, Corp. and BP Peptides, LLC	Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on March 19, 2019
10.47	Third Amendment to Securities Purchase Loan and Security Agreement dated March 27, 2020, by and between Capstone Therapeutics, Corp. and BP Peptides, LLC	Filed as Exhibit 10.1 to the Annual Report for the year ended December 31, 2019 filed March 27, 2020
10.48	Amended and Restated Warrants to Purchase Common Stock dated March 27, 2020	Filed as Exhibit 10.2 to the Annual Report for the year ended December 31, 2019
10.49	Totalstone, LLC, Fourth Amended and Restated Limited Liability Company Agreement. Executed as of March 27, 2020 and Effective as of April 1, 2020	Filed as Exhibit 10.3 to the Annual Report for the year ended December 31, 2019
10.50	Totalstone, LLC, Warrants No. 1-5 to purchase Class A Common Stock. Executed as of March 27, 2020 and effective as of April 1, 2020	Filed as Exhibit 10.1 to the Quarterly Report for quarter ended March 31, 2020
10.51	Amended and Restated Credit Agreement Dated November 14, 2019 by and between TotalStone, LLC, Northeast Masonry Distributors, LLC and Stream Finance, LLC (a related party)	Filed as Exhibit 10.1 to the Quarterly Report for quarter ended June 30, 2020
10.52	Consent and Amendment to Amended and Restated Credit Agreement Dated November 14, 2019 by and between TotalStone, LLC, Northeast Masonry Distributors, LLC and Stream Finance, LLC (a related party), effective March 27, 2020	Filed as Exhibit 10.2 to the Quarterly Report for quarter ended June 30, 2020
10.53	Non-negotiable Secured Subordinated Promissory Note by and between TotalStone, LLC and Northeast Masonry Distributors, LLC	Filed as Exhibit 10.3 to the Quarterly Report for quarter ended June 30, 2020
10.54	Non-negotiable Secured Subordinated Contingent Value Promissory Note by and between NEM Purchaser, LLC and Northeast Masonry Distributors, LLC	Filed as Exhibit 10.4 to the Quarterly Report for quarter ended June 30, 2020
10.55	Brookstone Partners IAC, Inc. Amended and Restated Management Agreement Dated March 1, 2020 by and between TotalStone, LLC and Brookstone Partners IAC, Inc.	Filed as Exhibit 10.5 to the Quarterly Report for quarter ended June 30, 2020
10.56	Third Amendment to Revolving Credit, Term Loan and Security Agreement Dated November 14, 2019 by and among TotalStone, LLC, Northeast Masonry Distributors, LLC, and Berkshire Bank	Filed as Exhibit 10.6 to the Quarterly Report for quarter ended June 30, 2020
10.57	First Amended & Restated Operating Agreement of Stream Finance, LLC Dated November 5, 2019 by and among Stream Finance, LLC, the Managing Member, and each of the Members executing this Agreement	Filed as Exhibit 10.7 to the Quarterly Report for quarter ended June 30, 2020

Item 9. Certifications.

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Michael M. Toporek, certify that: 1. I have reviewed this quarterly disclosure statement of Capstone Therapeutics Corp.; 2. Based on my knowledge, this disclosure statement 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 disclosure statement; and 3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

Date: November 16, 2020
BY: /s/ Michael M. Toporek
CEO

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Omar Rabbani, certify that: 1. I have reviewed this quarterly disclosure statement of Capstone Therapeutics Corp.; 2. Based on my knowledge, this disclosure statement 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 disclosure statement; and 3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

Date: November 16, 2020
BY: /s/ Omar Rabbani
Chief Financial Officer