

ORTHOLOGIC CORP  
Form 10-Q  
November 05, 2007

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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 20549

FORM 10-Q

(Mark One)

**Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the quarterly period ended September 30, 2007

or

**Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 0-21214

ORTHOLOGIC CORP.

(Exact name of registrant as specified in its charter)

Delaware  
(State or other jurisdiction of incorporation or organization)

86-0585310  
(IRS Employer Identification No.)

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

85281  
(Zip Code)

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

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

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

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

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

APPLICABLE ONLY TO CORPORATE ISSUERS:

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

41,670,650 shares of common stock outstanding as of October 31, 2007.

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**(A Development Stage Company)**  
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**ORTHOLOGIC CORP.**  
**(A Development Stage Company)**  
**CONDENSED BALANCE SHEETS**  
*(in thousands, except share and per share data)*

	September 30, 2007 (Unaudited)	December 31, 2006
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 18,183	\$ 18,047
Short-term investments	17,157	35,977
Prepays and other current assets	903	1,950
<b>Total current assets</b>	<b>36,243</b>	<b>55,974</b>
Furniture and equipment, net	360	409
Long-term investments	27,301	16,206
<b>Total assets</b>	<b>\$ 63,904</b>	<b>\$ 72,589</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities		
Accounts payable	\$ 608	\$ 1,621
Accrued compensation	568	584
Accrued clinical	10	133
Accrued severance and other restructuring costs	166	366
Other accrued liabilities	490	737
<b>Total current liabilities</b>	<b>1,842</b>	<b>3,441</b>
<b>Stockholders' Equity</b>		
Common Stock \$.0005 par value; 100,000,000 shares authorized; 41,670,650 and 41,564,291 shares issued and outstanding	21	21
Additional paid-in capital	188,828	188,236
Accumulated deficit	(126,787)	(119,109)
<b>Total stockholders' equity</b>	<b>62,062</b>	<b>69,148</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 63,904</b>	<b>\$ 72,589</b>

*See notes to unaudited condensed financial statements*

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

	Three months ended		Nine months ended		As a Development
	September 30,		September 30,		Stage Company
	2007	2006	2007	2006	8/5/2004 - 9/30/2007
<b>OPERATING EXPENSES</b>					
General and administrative	\$ 889	\$ 1,414	\$ 2,797	\$ 5,567	\$ 16,143
Research and development	2,369	5,651	7,439	16,575	60,624
Purchased in-process research and development	-	2	-	8,471	34,311
Other gains	-	-	-	-	(375)
Total operating expenses	3,258	7,067	10,236	30,613	110,703
Interest and other income, net	(833)	(1,250)	(2,558)	(2,879)	(9,832)
Loss from continuing operations before taxes	2,425	5,817	7,678	27,734	100,871
Income tax expense	-	-	-	1,106	356
Loss from continuing operations	2,425	5,817	7,678	28,840	101,227
Discontinued operations - net gain on sale of the bone device business, net of taxes (\$267)	-	-	-	-	(2,202)
<b>NET LOSS</b>	<b>\$ 2,425</b>	<b>\$ 5,817</b>	<b>\$ 7,678</b>	<b>\$ 28,840</b>	<b>\$ 99,025</b>
<b>Per Share Information:</b>					
Net loss, basic and diluted	\$ 0.06	\$ 0.14	\$ 0.18	\$ 0.71	
Basic and diluted shares outstanding	41,671	41,545	41,634	40,496	

*See notes to unaudited condensed financial statements*

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**ORTHOLOGIC CORP.**  
**(A Development Stage Company)**  
**CONDENSED STATEMENTS OF CASH FLOW**  
*(in thousands)*  
**(Unaudited)**

	Nine months ended September 30,		As a Development Stage Company August 5th 2004 - September 30, 2007
	2007	2006	
<b>OPERATING ACTIVITIES</b>			
Net loss	\$ (7,678)	\$ (28,840)	\$ (99,025)
Non cash items:			
Deferred tax expense	-	1,106	770
Depreciation and amortization	107	2,790	3,372
Non-cash stock compensation	591	2,252	3,534
Gain on sale of bone device business	-	-	(2,298)
In-process research and development	-	8,471	34,311
Change in other operating items:			
Prepays and other current assets	1,048	374	807
Accounts payable	(1,013)	(184)	(363)
Accrued liabilities	(486)	(1,225)	(1,419)
Cash flows used in operating activities	(7,431)	(15,256)	(60,311)
<b>INVESTING ACTIVITIES</b>			
Expenditures for furniture and equipment, net	(158)	(86)	(673)
Proceeds from sale of assets	-	-	7,000
Cash paid for assets of AzERx/CBI	-	(390)	(4,058)
Cash paid for patent assignment rights	-	(100)	(650)
Purchases of investments	(33,077)	(34,432)	(178,971)
Maturities of investments	40,802	45,705	192,451
Cash flows provided by investing activities	7,567	10,697	15,099
<b>FINANCING ACTIVITIES</b>			
Net proceeds from stock option exercises	-	2,962	4,612
Net proceeds from sale of stock	-	3,376	3,376
Cash flows provided by financing activities	-	6,338	7,988
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>			
	136	1,779	(37,224)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>	<b>18,047</b>	<b>35,111</b>	<b>55,407</b>
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	<b>\$ 18,183</b>	<b>\$ 36,890</b>	<b>\$ 18,183</b>

**Supplemental Disclosure of Non-Cash Investing Activities**