

CAPSALUS CORP
Form 10-Q
August 22, 2011

SECURITIES AND EXCHANGE COMMISSION
Washington D.C. 20549

FORM 10-Q

- QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the Quarterly period ended June 30, 2011

- 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: 333-146744

CAPSALUS CORP.

(Exact name of small business issuer as specified in its charter)

Nevada
(State or other jurisdiction of
Incorporation or organization)

88-0338837
(I.R.S. Employer Identification No.)

2675 PACES FERRY ROAD, SUITE 100, ATLANTA, GA 30339
(Address of principal executive offices)

(888) 400-7179
(Issuer's telephone number)

Capsalus Corp. , 974 Silver Beach Road, Belgium, WI 53004
(Former name, former address and former fiscal year, if applicable)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company.

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Large accelerated filer	..	Accelerated filer ..
Non-accelerated filer	..	Smaller reporting company x

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

As of August 19, 2011, 414,628,781 shares of common stock were outstanding.

CAPSALUS CORP.

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CAPSALUS CORP.
CONSOLIDATED BALANCE SHEETS (Unaudited)

ASSETS	June 30, 2011	December 31, 2010
CURRENT ASSETS		
Cash	\$28,274	\$36,662
Current assets of discontinued operations	33,271	65,983
Other current assets	-	54,064
Total Current Assets	61,545	156,709
Property and equipment, net	17,927	23,585
Goodwill	2,014,752	2,014,752
Intangible assets, net	1,953,700	1,743,700
Investments	590,000	590,000
TOTAL ASSETS	\$4,637,924	\$4,528,746
CURRENT LIABILITIES		
Accounts payable	\$487,411	\$287,663
Accrued compensation	282,055	186,888
Accrued interest	295,665	180,697
Preferred unit subscription payable	-	200,000
Current liabilities of discontinued operations	753,047	776,245
Short-term notes payable and other debt	2,429,671	1,651,986
Current portion of long-term debt obligations	295,000	80,000
Total Current Liabilities	4,542,849	3,363,479
Long-term debt obligations, net of current portion	1,518,838	1,452,690
STOCKHOLDERS' DEFICIT		
Common stock, \$.001 par value, 500,000,000 shares authorized, 411,628,781 and 388,620,388 shares issued and outstanding at June 30, 2011 and December 31, 2010, respectively	411,629	388,620
Treasury stock	(105,000)	(105,000)
Additional paid-in capital	30,745,387	30,093,091
Accumulated deficit	(32,475,779)	(30,664,134)
Total Stockholders' Deficit	(1,423,763)	(287,423)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	\$4,637,924	\$4,528,746

The accompanying notes are an integral part of these consolidated financial statements.

CAPSALUS CORP.
CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2011	2010	2011	2010
Sales, net	\$-	\$-	\$-	\$-
Operating expenses	610,192	350,249	1,348,087	860,396
Loss from continuing operations	(610,192)	(350,249)	(1,348,087)	(860,396)
Other expense:				
Realized loss on sale of marketable securities	-	-	-	(12,844)
Interest expense	(230,830)	(277,021)	(460,043)	(355,495)
Total other expense	(230,830)	(277,021)	(460,043)	(368,339)
Loss from continuing operations before provision for income taxes	(841,022)	(627,270)	(1,808,130)	(1,228,735)
Income tax provision	-	-	-	-
Net loss from continuing operations	(841,022)	(627,270)	(1,808,130)	(1,228,735)
Net loss from discontinued operations, net of income tax benefit of \$0 and \$0, respectively	(4,142)	(1,097,474)	(3,515)	(1,407,417)
Net loss	\$(845,164)	\$(1,724,744)	\$(1,811,645)	\$(2,636,152)
Net loss from continuing operations per common share (basic and diluted)	\$-	\$-	\$-	\$-
Net loss from discontinued operations per common share (basic and diluted)	\$-	\$-	\$-	\$(0.01)
Net loss per common share (basic and diluted)	\$-	\$-	\$-	\$(0.01)
Weighted average shares outstanding:				
Basic and diluted	411,251,857	322,648,047	404,228,234	253,238,415

The accompanying notes are an integral part of these consolidated financial statements.

CAPSALUS CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

	Six months ended June 30,	
	2011	2010
Cash flows from operating activities:		
Net loss from continuing operations	\$(1,808,130)	\$(1,228,735)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	5,658	35,844
Amortization of deferred financing costs	4,064	12,992
Amortization of debt discount, relating to a beneficial conversion feature	310,661	221,505
Amortization of prepaid management fees	-	52,500
Accretion of interest on long-term debt	-	92,988
Loss on sale of marketable securities	-	12,844
Common stock issued for services	343,012	123,633
(Increase) decrease in operating assets:		
Other current assets	50,000	51,234
Increase in operating liabilities:		
Accounts payable and accrued expenses	460,176	227,513
Total adjustments	1,173,571	831,053
Net cash used in operating activities	\$(634,559)	\$(397,682)
Cash flows from investing activities:		
Proceeds from the sale of marketable securities	-	3,444
Acquisitions, net of cash acquired		(103,500)
Proceeds from the sale of property and equipment		4,699
Investments	(200,000)	-
Net cash used in investing activities	\$(200,000)	\$(95,357)
Cash flows from financing activities:		
Proceeds from short term notes payable	835,000	289,982
Payments on short term notes payable	(57,830)	(224,980)
Proceeds from long-term debt	-	400,000
Payments on long-term debt	(10,000)	-
Proceeds from the sale of common stock	50,000	116,500
Proceeds from the sale of treasury stock	-	14,530
Net cash provided by financing activities	\$817,170	\$596,032
Cash flows from discontinued operations:		
Net cash used in operating activities	-	(6,193)
Net cash provided by investing activities	-	88,801
Net cash provided by (used in) financing activities	9,001	(141,819)
Net cash provided by (used in) discontinued operations	\$9,001	\$(59,211)
Net increase (decrease) in cash	\$(8,388)	\$43,782

Cash, beginning of period	36,662	60,144
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