

CAPRICOR THERAPEUTICS, INC.

Form 10-Q

May 13, 2016

UNITED STATES

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 March 31, 2016**

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: 001-34058

CAPRICOR THERAPEUTICS, INC.

(Exact Name Of Registrant As Specified In Its Charter)

Delaware

(State or other jurisdiction of incorporation or organization)

88-0363465

(I.R.S. Employer Identification No.)

8840 Wilshire Blvd., 2nd Floor, Beverly Hills, California 90211

(Address of principal executive offices including zip code)

(310) 358-3200

(Registrant's telephone number, including area code)

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. x 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 x 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. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer
Non-accelerated filer 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 x No

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

As of May 12, 2016, there were 17,952,323 shares of the registrant's common stock, par value \$0.001 per share, issued and outstanding.

INDEX TO QUARTERLY REPORT ON FORM 10-Q

	PAGES
<u>PART I. FINANCIAL INFORMATION</u>	
<u>Item 1. Financial Statements</u>	4
<u>Condensed Consolidated Balance Sheets at March 31, 2016 (unaudited) and December 31, 2015</u>	4
<u>Condensed Consolidated Statements of Operations and Comprehensive Loss (unaudited)</u>	5
<u>Condensed Consolidated Statements of Stockholders' Equity (Deficit) (unaudited)</u>	6
<u>Condensed Consolidated Statements of Cash Flows (unaudited)</u>	7
<u>Notes to Condensed Consolidated Financial Statements (unaudited)</u>	8
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	25
<u>Item 3. Quantitative and Qualitative Disclosures about Market Risk</u>	38
<u>Item 4. Controls and Procedures</u>	39
<u>PART II. OTHER INFORMATION</u>	
<u>Item 1. Legal Proceedings</u>	40
<u>Item 1A. Risk Factors</u>	40
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	40
<u>Item 3. Defaults Upon Senior Securities</u>	40
<u>Item 4. Mine Safety Disclosures</u>	40
<u>Item 5. Other Information</u>	40
<u>Item 6. Exhibits</u>	41
<u>Signatures</u>	42
<u>Exhibit Index</u>	43

Special Note Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, which statements involve substantial risks and uncertainties. Forward-looking statements generally relate to future events or our future financial or operating performance. In some cases, you can identify forward-looking statements because they contain words such as “may,” “will,” “should,” “expects,” “plans,” “anticipates,” “could,” “intends,” “target,” “projects,” “believes,” “estimates,” “predicts,” “potential” or “continue” or the negative of these words or other similar terms or expressions that concern our expectations, strategy, plans or intentions. Forward-looking statements contained in this Quarterly Report on Form 10-Q include, but are not limited to, statements about:

- the development of our drug candidates, including when we expect to undertake, initiate and complete clinical trials of our product candidates;

- expectation of or dates for commencement of clinical trials, investigational new drug filings and similar plans or projections;

- the regulatory approval of our drug candidates;

- our use of clinical research centers, third party manufacturers and other contractors;

- our ability to find collaborative partners for research, development and commercialization of potential products;

- our ability to manufacture products for clinical and commercial use;

- our ability to protect our patents and other intellectual property;

- our ability to market any of our products;

- our ability to compete against other companies and research institutions;

- our ability to expand our operations internationally;

the effect of potential strategic transactions on our business;

acceptance of our products by doctors, patients or payors and the availability of reimbursement for our product candidates;

our ability to attract and retain key personnel; and

the volatility of our stock price.

We caution you that the forward-looking statements highlighted above do not encompass all of the forward-looking statements made in this Quarterly Report on Form 10-Q.

You should not rely upon forward-looking statements as predictions of future events. We have based the forward-looking statements contained in this Quarterly Report on Form 10-Q primarily on our current expectations and projections about future events and trends that we believe may affect our business, financial condition, results of operations and prospects. The outcome of the events described in these forward-looking statements is subject to risks, uncertainties and other factors. Moreover, we operate in a very competitive and challenging environment. New risks and uncertainties emerge from time to time, and it is not possible for us to predict all risks and uncertainties that could have an impact on the forward-looking statements contained in this Quarterly Report on Form 10-Q. We cannot assure you that the results, events and circumstances reflected in the forward-looking statements will be achieved or occur, and actual results, events or circumstances could differ materially from those described in the forward-looking statements. Additionally, final data may differ significantly from preliminary data reported in this document.

The forward-looking statements made in this Quarterly Report on Form 10-Q relate only to events as of the date on which the statements are made. We undertake no obligation to update any forward-looking statements made in this Quarterly Report on Form 10-Q to reflect events or circumstances after the date of this Quarterly Report on Form 10-Q or to reflect new information or the occurrence of unanticipated events, except as required by law. We may not actually achieve the plans, intentions or expectations disclosed in our forward-looking statements and you should not place undue reliance on our forward-looking statements. Our forward-looking statements do not reflect the potential impact of any future acquisitions, mergers, dispositions, joint ventures or investments we may make, if any.

This Quarterly Report on Form 10-Q also contains statistical data, estimates and forecasts that are based on independent industry publications or other publicly available information, as well as other information based on our internal sources. Although we believe that the third-party sources referred to in this Quarterly Report on Form 10-Q are reliable, we have not independently verified the information provided by these third parties. While we are not aware of any misstatements regarding any third-party information presented in this report, their estimates, in particular, as they relate to projections, involve numerous assumptions, are subject to risks and uncertainties, and are subject to change based on various factors.

PART I — FINANCIAL INFORMATION**Item 1. Financial Statements.****CAPRICOR THERAPEUTICS, INC.****CONDENSED CONSOLIDATED BALANCE SHEETS****ASSETS**

	March 31, 2016 (unaudited)	December 31, 2015
CURRENT ASSETS		
Cash and cash equivalents	\$ 11,766,454	\$ 5,568,306
Marketable securities	2,498,425	7,999,010
Grant receivable	303,631	211,938
Prepaid expenses and other current assets	321,421	210,603
TOTAL CURRENT ASSETS	14,889,931	13,989,857
PROPERTY AND EQUIPMENT, net	344,957	318,566
OTHER ASSETS		
Intangible assets, net of accumulated amortization of \$110,866 and \$98,679, respectively	178,816	191,003
In-process research and development, net of accumulated amortization of \$0	1,500,000	1,500,000
Other assets	71,146	70,146
TOTAL ASSETS	\$ 16,984,850	\$ 16,069,572

LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)**CURRENT LIABILITIES**

Accounts payable and accrued expenses	\$ 3,224,044	\$ 2,530,500
Accounts payable and accrued expenses, related party	470,869	352,334
Deferred revenue, current	3,645,833	3,645,834
TOTAL CURRENT LIABILITIES	7,340,746	6,528,668

LONG-TERM LIABILITIES

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Deferred revenue, net of current portion	-	911,458
Loan payable	10,155,857	9,155,857
Accrued interest	571,152	505,363
TOTAL LONG-TERM LIABILITIES	10,727,009	10,572,678
TOTAL LIABILITIES	18,067,755	17,101,346
COMMITMENTS AND CONTINGENCIES (NOTE 6)		
STOCKHOLDERS' EQUITY (DEFICIT)		
Preferred stock, \$0.001 par value, 5,000,000 shares authorized, none issued and outstanding	-	-
Common stock, \$0.001 par value, 50,000,000 shares authorized, 17,952,323 and 16,254,985 shares issued and outstanding, respectively	17,952	16,255
Additional paid-in capital	38,334,722	34,115,052
Accumulated other comprehensive income	3,228	9,385
Accumulated deficit	(39,438,807)	(35,172,466)
TOTAL STOCKHOLDERS' EQUITY (DEFICIT)	(1,082,905)	(1,031,774)
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)	\$ 16,984,850	\$ 16,069,572

See accompanying notes to the unaudited condensed consolidated financial statements.

CAPRICOR THERAPEUTICS, INC.**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS****(unaudited)**

	Three months ended March 31,	
	2016	2015
INCOME		
Collaboration income	\$ 911,458	\$ 1,041,667
Grant income	303,631	746,235
TOTAL INCOME	1,215,089	1,787,902
OPERATING EXPENSES		
Research and development	4,341,119	3,807,087
General and administrative	1,084,696	1,395,540
TOTAL OPERATING EXPENSES	5,425,815	5,202,627
LOSS FROM OPERATIONS	(4,210,726)	(3,414,725)
OTHER INCOME (EXPENSE)		
Investment income	10,510	275
Interest expense	(66,125)	(61,681)
TOTAL OTHER INCOME (EXPENSE)	(55,615)	(61,406)
NET LOSS	(4,266,341)	(3,476,131)
OTHER COMPREHENSIVE GAIN (LOSS)		
Net unrealized loss on marketable securities	(6,157)	(3,940)
COMPREHENSIVE LOSS	\$ (4,272,498)	\$ (3,480,071)
Net loss per share, basic and diluted	\$ (0.26)	\$ (0.23)
Weighted average number of shares, basic and diluted	16,537,502	14,869,746

See accompanying notes to the unaudited condensed consolidated financial statements.

CAPRICOR THERAPEUTICS, INC.**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(DEFICIT)****(unaudited)**

	Common Stock		Additional Paid- In Capital	Other Comprehensive Income (Loss)	Accumulated Deficit	Total Stockholders' Equity (Deficit)
	Shares	Amount				
Balance at December 31, 2015	16,254,985	\$16,255	\$ 34,115,052	\$ 9,385	\$(35,172,466)	\$(1,031,774)
Issuance of common stock, net of fees	1,692,151	1,692	3,928,103	-	-	3,929,795
Stock-based compensation	-	-	290,586	-	-	290,586
Unrealized loss on marketable securities	-	-	-	(6,157)	-	(6,157)
Stock options exercised	5,187	5	981	-	-	986
Net loss	-	-	-	-	(4,266,341)	(4,266,341)
Balance at March 31, 2016	17,952,323	\$17,952	\$ 38,334,722	\$ 3,228	\$(39,438,807)	\$(1,082,905)

See accompanying notes to the unaudited condensed consolidated financial statements.

CAPRICOR THERAPEUTICS, INC.**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS****(unaudited)**

	Three months ended March 31,			
	2016	2015		
CASH FLOWS FROM OPERATING ACTIVITIES:				
Net loss	\$ (4,266,341)	\$ (3,476,131)		
Adjustments to reconcile net loss to net cash used in operating activities:				
Depreciation and amortization	31,604	24,802		
Stock-based compensation	290,586	572,121		
Change in assets - (increase) decrease:				
Restricted cash	-	929,094		
	4,122,546			
Net income	\$5,284,674	\$5,415,929	\$11,222,929	\$8,775,498
Other comprehensive income – periodic pension costs, net of income taxes of \$6,116, \$5,248, \$12,233, and \$10,495 respectively	11,359	9,745	22,719	19,490
Total comprehensive income	\$5,296,033	\$5,425,674	\$11,245,648	\$8,794,988
Average number of sub-share certificates and equivalent sub-share certificates outstanding	9,025,506	9,432,205	9,057,829	9,460,805
Basic and dilutive earnings per sub-share certificate on net income	\$.59	\$.58	\$1.24	\$.93
Cash dividends per sub-share certificate	\$–	\$–	\$.23	\$.21

See accompanying notes to financial statements.

TEXAS PACIFIC LAND TRUST
STATEMENTS OF CASH FLOWS
(Unaudited)

	Six Months Ended June 30,	
	2012	2011
Cash flows from operating activities:		
Net income	\$ 11,222,929	\$ 8,775,498
Adjustments to reconcile net income to net cash provided by operating activities:		
Deferred taxes	(43,147)	(605,675)
Depreciation and amortization	6,543	6,240
Loss on disposal of fixed assets	2,470	-
Changes in operating assets and liabilities:		
Accrued receivables and other assets	582,403	(208,588)
Prepaid income taxes	(105,358)	57,893
Notes receivable for land sales	171,263	1,808,348
Accounts payable, accrued expenses and other liabilities	80,701	170,202
Income taxes payable	(1,251,847)	391,064
Net cash provided by operating activities	10,665,957	10,394,982
Cash flows from investing activities:		
Proceeds from sale of fixed assets	13,500	-
Purchase of fixed assets	(45,599)	(16,893)
Net cash used in investing activities	(32,099)	(16,893)
Cash flows from financing activities:		
Purchase of Sub-share Certificates in Certificates of Proprietary Interest	(9,986,075)	(7,436,185)
Dividends paid	(2,091,907)	(2,000,233)
Net cash used in financing activities	(12,077,982)	(9,436,418)
Net increase (decrease) in cash and cash equivalents	(1,444,124)	941,671
Cash and cash equivalents, beginning of period	13,029,578	7,149,552
Cash and cash equivalents, end of period	\$ 11,585,454	\$ 8,091,223

See accompanying notes to financial statements.

TEXAS PACIFIC LAND TRUST

NOTES TO UNAUDITED FINANCIAL STATEMENTS

JUNE 30, 2012

- (1) In the opinion of management, the accompanying unaudited financial statements contain all adjustments (consisting of only normal recurring accruals) necessary to present fairly the financial position of Texas Pacific Land Trust (the "Trust") as of June 30, 2012 and the results of its operations for the three month and six month periods ended June 30, 2012 and 2011, respectively, and its cash flows for the six month periods ended June 30, 2012 and 2011, respectively. The financial statements and footnotes included herein should be read in conjunction with the Trust's annual financial statements as of December 31, 2011 and 2010 and for each of the years in the three year period ended December 31, 2011 included in the Trust's Annual Report on Form 10-K for the year ended December 31, 2011.
- (2) We evaluate events that occur after the balance sheet date but before financial statements are, or are available to be, issued to determine if a material event requires our amending the financial statements or disclosing the event. We evaluated subsequent events through August 3, 2012, the date we issued these financial statements.
- (3) No value has been assigned to the land held by the Trust other than parcels which have been acquired through foreclosure and a limited number of parcels which have been acquired because they were offered for sale and were contiguous to parcels already owned by the Trust. Consequently, no allowance for depletion is computed, and no charge to income is made, with respect thereto, and no cost is deducted from the proceeds of the land sales in computing gain or loss thereon.
- (4) The Sub-shares and the Certificates of Proprietary Interest are freely interchangeable in the ratio of one Certificate of Proprietary Interest for 3,000 Sub-shares or 3,000 Sub-shares for one Certificate of Proprietary Interest.
- (5) The Trust's effective Federal income tax rate is less than the 34% statutory rate because taxable income is reduced by statutory percentage depletion allowed on mineral royalty income.
- (6) The results of operations for the three month and six month periods ended June 30, 2012 are not necessarily indicative of the results to be expected for the full year.
- (7) The Trust invests cash in excess of daily requirements primarily in bank deposit and savings accounts and certificates of deposit with maturities of ninety days or less. Such investments are deemed to be highly liquid debt instruments and classified as cash equivalents for purposes of the statements of cash flows.

Supplemental cash flow information for the six month periods ended June 30, 2012 and 2011 is summarized as follows:

	2012	2011
Income taxes paid	\$ 6,924,051	\$ 4,289,759

- (8) ASC 280, "Segment Reporting," establishes standards for the way public business enterprises are to report information about operating segments. In accordance with ASC 280, the Trust utilizes the management approach as a basis for identifying reportable segments. The management approach is based on the way that management organizes the segments within the enterprise for making operating decisions and assessing performance. The

Trust's management views its operations as one segment and believes the only significant activity is managing the land which was conveyed to the Trust in 1888. The Trust's management makes decisions about resource allocation and performance assessment based on the same financial information presented in these financial statements. Managing the land includes sales and leases of such land, and the retention of oil and gas royalties.

(9) In June 2011, the FASB issued Accounting Standards Update No. 2011-05, "Comprehensive Income (Topic 220): Presentation of Comprehensive Income" ("ASU 2011-05"). ASU 2011-05 amends existing guidance by allowing only two options for presenting the components of net income and other comprehensive income: (1) in a single continuous financial statement, statement of comprehensive income or (2) in two separate but consecutive financial statements, consisting of an income statement followed by a separate statement of other comprehensive income. ASU No. 2011-05 requires retrospective application, and it is effective for fiscal years beginning after December 15, 2011. We adopted the provisions of ASU 2011-05 as of January 1, 2012 using the single continuous statement presentation. The adoption of this guidance did not have a material effect on our financial statements.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis should be read together with (i) the factors discussed in Item 1A "Risk Factors" of Part I of our Annual Report to the Securities and Exchange Commission on Form 10-K for the year ended December 31, 2011, (ii) the factors discussed in Part II, Item 1A "Risk Factors," if any, of this Quarterly Report on Form 10-Q and (iii) the Financial Statements, including the Notes thereto, and the other financial information appearing elsewhere in this Report. Period-to-period comparisons of financial data are not necessarily indicative, and therefore should not be relied upon as indicators, of the Trust's future performance. Words or phrases such as "does not believe" and "believes", or similar expressions, when used in this Form 10-Q or other filings with the Securities and Exchange Commission, are intended to identify "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995.

Results of Operations for the Quarter Ended June 30, 2012 Compared to the Quarter Ended June 30, 2011

Earnings per Sub-share certificate were \$.59 for the second quarter of 2012, compared to \$.58 for the second quarter of 2011. Total operating and investing revenues were \$8,706,738 for the second quarter of 2012 compared to \$8,798,987 for the second quarter of 2011, a decrease of 1.0%. This decrease in revenue was due primarily to decreases in land sales, oil and gas royalty revenue, and interest income from notes receivable, which were largely offset by an increase in easement and sundry income.

In the second quarter of 2012 the Trust sold approximately 1,792 acres for a total of \$2,242,747, or approximately \$1,252 per acre. In the second quarter of 2011 the Trust sold approximately 6,682 acres for a total of \$3,680,500, or approximately \$551 per acre.

Rentals, royalties and sundry income were \$6,278,498 during the second quarter of 2012, compared to \$4,885,782 for the second quarter of 2011, an increase of 28.5%. This increase resulted from an increase in easement and sundry income, partially offset by a decrease in oil and gas royalty revenue.

Oil and gas royalty revenue was \$3,328,254 for the second quarter of 2012, compared to \$3,591,193 for the second quarter of 2011, a decrease of 7.3%. Oil royalty revenue was \$2,762,049 for the second quarter of 2012, a decrease of 3.5% from the second quarter of 2011 when oil royalty revenue was \$2,862,705. This decrease was due to decreases in both price and volume. The average price per royalty barrel of crude oil during the second quarter of 2012 was 2.4% lower than the average price prevailing during the second quarter of 2011. In addition, crude oil production subject to the Trust's royalty interest decreased 1.1% in the second quarter of 2012 compared to the second quarter of 2011. Gas royalty revenue was \$566,205 for the second quarter of 2012, a decrease of 22.3% from the second quarter of 2011 when gas royalty revenue was \$728,488. This decrease in gas royalty revenue resulted from a price decrease of 39.4% in the second quarter of 2012 compared to the second quarter of 2011, which more than offset a volume increase of 28.2% over the same period.

Easement and sundry income was \$2,776,197 for the second quarter of 2012, an increase of 150.0% compared to the second quarter of 2011 when easement and sundry income was \$1,110,719. This increase resulted primarily from increases in pipeline easement income, sundry income, and sundry lease rental income caused by an increase in drilling and exploration activity on land owned by the Trust. This category of income is unpredictable and may vary significantly from quarter to quarter.

Interest income, including interest on investments, was \$185,493 for the second quarter of 2012 compared to \$232,705 for the second quarter of 2011, a decrease of 20.3%. Interest on notes receivable for the second quarter of 2012 was \$180,489, a decrease of 20.9% compared to the second quarter of 2011 when interest on notes receivable was \$228,314. As of June 30, 2012, notes receivable for land sales were \$10,182,840 compared to \$12,534,550 at June 30, 2011, a decrease of 18.8%. Interest income earned from investments was \$5,004 for the second quarter of 2012, an increase of 14.0% from the second quarter of 2011. Interest on investments is affected by such variables as cash on hand for investment and the rate of interest on short-term investments.

Taxes, other than income taxes, decreased 6.2% for the second quarter of 2012 compared to the second quarter of 2011. This decrease is mainly attributable to a decrease in oil and gas production taxes which resulted from the decrease in oil and gas royalty revenue discussed above.

General and administrative expenses for the second quarter of 2012 were down 3.8%, compared to the second quarter of 2011. This was primarily due to a decrease in legal expenses.

Results of Operations for the Six Months Ended June 30, 2012 Compared to the Six Months Ended June 30, 2011

Earnings per Sub-share certificate were \$1.24 for the first six months of 2012, compared to \$.93 for the first six months of 2011. Total operating and investing revenues were \$18,286,817 for the first six months of 2012 compared to \$14,519,095 for the first six months of 2011, an increase of 26.0%. This increase in revenue and earnings was primarily due to increases in easement and sundry income and land sales, which were partially offset by decreases in gas royalty revenue and interest income from notes receivable.

During the first six months of 2012 the Trust sold approximately 7,252 acres for a total of \$5,809,747, or approximately \$801 per acre. In the first six months of 2011 the Trust sold approximately 6,750 acres for a total of \$4,192,000, or approximately \$621 per acre.

Rentals, royalties, and sundry income were \$12,104,019 for the first six months of 2012 compared to \$9,841,038 for the first six months of 2011, an increase of 23.0%. This increase resulted primarily from an increase in easement and sundry income, partially offset by a decrease in gas royalty revenue.

Oil and gas royalty revenue was \$6,762,080 for the first six months of 2012 compared to \$7,067,415 for the first six months of 2011, a decrease of 4.3%. Oil royalty revenue was \$5,608,621 for the first six months of 2012, an increase of 0.5% from the first six months of 2011 when oil royalty revenue was \$5,578,871. The average price per royalty barrel of crude oil during the first six months of 2012 was 5.6% higher than the average price prevailing during the first six months of 2011. This price increase more than offset a decrease of 4.8% in the volume of crude oil production subject to the Trust's royalty interest in the first six months of 2012 compared to the first six months of 2011. Gas royalty revenue was \$1,153,459 for the first six months of 2012, a decrease of 22.5% from the first six months of 2011 when gas royalty revenue was \$1,488,544. This decrease in gas royalty revenue resulted from a price decrease of 31.8% in the first six months of 2012 compared to the first six months of 2011, partially offset by a volume increase of 13.4% over the same period.

Easement and sundry income was \$5,072,105 for the first six months of 2012, an increase of 103.4% compared to the first six months of 2011 when easement and sundry income was \$2,494,235. This increase resulted primarily from increases in sundry income, pipeline easement income, and sundry lease rental income caused by an increase in drilling and exploration activity on land owned by the Trust. This category of income is unpredictable and may vary significantly from quarter to quarter.

Interest income, including interest on investments, was \$373,051 for the first six months of 2012 compared to \$486,057 for the first six months of 2011, a decrease of 23.2%. Interest on notes receivable for the first six months of 2012 was \$362,850, a decrease of 24.0% compared to the first six months of 2011 when interest on notes receivable was \$477,326. As of June 30, 2012, notes receivable for land sales were \$10,182,840 compared to \$12,534,550 at June 30, 2011, a decrease of 18.8%. Interest income earned from investments was \$10,201 for the first six months of 2012, an increase of 16.8% from the first six months of 2011. Interest on investments is affected by such variables as cash on hand for investment and the rate of interest on short-term investments.

Taxes, other than income taxes, were essentially flat for the first six months of 2012 compared to the first six months of 2011.

General and administrative expenses for the first six months of 2012 were down 5.9% compared to the first six months of 2011. This decrease was primarily due to a decrease in legal expenses.

Liquidity and Capital Resources

The Trust's principal sources of liquidity are revenues from oil and gas royalties, lease rentals and receipts of interest and principal payments on the notes receivable arising from land sales. In the past, those sources have generated more than adequate amounts of cash to meet the Trust's needs and, in the opinion of management, should continue to do so in the foreseeable future.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There have been no material changes in the information related to market risk of the Trust since December 31, 2011.

Item 4. Controls and Procedures

Pursuant to Rule 13a-15, management of the Trust under the supervision and with the participation of Roy Thomas, the Trust's Chief Executive Officer, and David M. Peterson, the Trust's Chief Financial Officer, carried out an evaluation of the effectiveness of the design and operation of the Trust's disclosure controls and procedures as of the end of the Trust's fiscal quarter covered by this Report on Form 10-Q. Based upon that evaluation, Mr. Thomas and Mr. Peterson concluded that the Trust's disclosure controls and procedures are effective in timely alerting them to material information relating to the Trust required to be included in the Trust's periodic SEC filings.

There have been no changes in the Trust's internal control over financial reporting during the Trust's most recently completed fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Trust's internal control over financial reporting.

PART II
OTHER INFORMATION

Item 1A. Risk Factors

There have been no material changes in the risk factors previously disclosed in response to Item 1A “Risk Factors” of Part I of the Trust’s Annual Report to the Securities and Exchange Commission on Form 10-K for the year ended December 31, 2011.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

(c) During the second quarter of 2012, the Trust repurchased Sub-share certificates as follows:

Period	Total Number of Sub-shares Purchased	Average Price Paid per Sub-share	Total Number of Sub-shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Sub-shares that May Yet Be Purchased Under the Plans or Programs
April 1, through April 30, 2012	23,675	\$ 55.39	–	–
May 1, through May 31, 2012	41,517	\$ 57.94	–	–
June 1, through June 30, 2012	25,171	\$ 57.44	–	–
Total	90,363	\$ 57.13	–	–

* The Trust purchased and retired 90,363 Sub-shares in the open market.

Item 6. Exhibits

31.1 Rule 13a-14(a) Certification of Chief Executive Officer.

31.2 Rule 13a-14(a) Certification of Chief Financial Officer.

32.1 Certification of Chief Executive Officer furnished pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

32.2 Certification of Chief Financial Officer furnished pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

101.INSXBRL Instance

101.SCHXBRL Taxonomy Extension Schema

101.CALXBRL Taxonomy Extension Calculation

101.DEFBRL Taxonomy Extension Definition

101.LABXBRL Taxonomy Extension Labels

101.PREXBRL Taxonomy Extension Presentation

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

TEXAS PACIFIC LAND TRUST
(Registrant)

Date: August 3, 2012

By: /s/ Roy Thomas
Roy Thomas, General Agent,
Authorized Signatory and Chief Executive
Officer

Date: August 3, 2012

By: /s/ David M. Peterson
David M. Peterson, Assistant General Agent,
and Chief Financial Officer

INDEX TO EXHIBITS

EXHIBIT NUMBER	DESCRIPTION
31.1	Rule 13a-14(a) Certification of Chief Executive Officer.
31.2	Rule 13a-14(a) Certification of Chief Financial Officer.
32.1	Certification of Chief Executive Officer furnished pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer furnished pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation
101.DEF	XBRL Taxonomy Extension Definition
101.LAB	XBRL Taxonomy Extension Labels
101.PRE	XBRL Taxonomy Extension Presentation