

STANLEY BLACK & DECKER, INC.

Form 10-Q

July 30, 2010

**Table of Contents**

**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 **July 3, 2010.**

**OR**

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934**  
For the transition period from [        ] to [        ]  
**Commission File Number 001-05224**  
**STANLEY BLACK & DECKER, INC.**

(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

**CONNECTICUT**

**06-0548860**

(STATE OR OTHER JURISDICTION OF  
INCORPORATION OR ORGANIZATION)

(I.R.S. EMPLOYER  
IDENTIFICATION NUMBER)

**1000 STANLEY DRIVE  
NEW BRITAIN, CONNECTICUT**

**06053**

(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)

(ZIP CODE)

**(860) 225-5111**

(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. 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. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting  
company

(Do not check if a smaller  
reporting company)

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

165,667,088 shares of the registrant's common stock were outstanding as of July 29, 2010

---

**TABLE OF CONTENTS**

<u>PART I FINANCIAL INFORMATION</u>	3
<u>ITEM 1. FINANCIAL STATEMENTS</u>	3
<u>ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</u>	36
<u>ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK</u>	46
<u>ITEM 4. CONTROLS AND PROCEDURES</u>	46
<u>PART II OTHER INFORMATION</u>	48
<u>ITEM 1A. RISK FACTORS</u>	48
<u>ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS</u>	48
<u>ITEM 6. EXHIBITS</u>	48
<u>SIGNATURE</u>	50
<u>EX-31.I.A</u>	
<u>EX-31.I.B</u>	
<u>EX-32.I</u>	
<u>EX-32.II</u>	
<u>EX-101 INSTANCE DOCUMENT</u>	
<u>EX-101 SCHEMA DOCUMENT</u>	
<u>EX-101 CALCULATION LINKBASE DOCUMENT</u>	
<u>EX-101 LABELS LINKBASE DOCUMENT</u>	
<u>EX-101 PRESENTATION LINKBASE DOCUMENT</u>	
<u>EX-101 DEFINITION LINKBASE DOCUMENT</u>	

**Table of Contents****PART I FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS**

**STANLEY BLACK & DECKER, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
**THREE AND SIX MONTHS ENDED JULY 3, 2010 AND JULY 4, 2009**  
(Unaudited, Millions of Dollars, Except Per Share Amounts)

	<b>Second Quarter</b>		<b>Year to Date</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
<b>NET SALES</b>	\$ 2,365.6	\$ 919.2	\$ 3,627.6	\$ 1,832.2
<b>COSTS AND EXPENSES</b>				
Cost of sales	1,596.6	552.6	2,402.7	1,104.5
Selling, general and administrative	581.1	253.2	959.6	500.8
Provision for doubtful accounts	3.1	2.1	7.1	7.2
Other, net	65.1	31.2	130.0	61.5
Restructuring charges and asset impairments	85.8	9.9	183.2	19.0
Gain on debt extinguishment		(43.8)		(43.8)
Interest expense	26.8	16.2	46.1	33.2
Interest income	(2.2)	(0.9)	(3.4)	(1.6)
	2,356.3	820.5	3,725.3	1,680.8
Earnings (loss) from continuing operations before income taxes	9.3	98.7	(97.7)	151.4
Income taxes (benefit) on continuing operations	(37.0)	26.7	(35.5)	40.4
Net earnings (loss) from continuing operations	46.3	72.0	(62.2)	111.0
Less: Net earnings attributable to non-controlling interests	0.5	1.2	0.6	1.9
<b>NET EARNINGS (LOSS) FROM CONTINUING OPERATIONS ATTRIBUTABLE TO STANLEY BLACK &amp; DECKER, INC.</b>	45.8	70.8	(62.8)	109.1
<b>NET LOSS FROM DISCONTINUED OPERATIONS (net of income tax benefit of \$1.1 and \$1.6 for the three and six months ended July 4, 2009, respectively)</b>		(1.3)		(1.9)
<b>NET EARNINGS (LOSS) ATTRIBUTABLE TO STANLEY BLACK &amp; DECKER, INC.</b>	\$ 45.8	\$ 69.5	\$ (62.8)	\$ 107.2
<b>BASIC EARNINGS (LOSS) PER SHARE OF COMMON STOCK</b>				
Continuing operations	\$ 0.28	\$ 0.89	\$ (0.49)	\$ 1.38
Discontinued operations		(0.02)		(0.02)

Edgar Filing: STANLEY BLACK & DECKER, INC. - Form 10-Q

Total basic earnings (loss) per share of common stock	\$ 0.28	\$ 0.88	\$ (0.49)	\$ 1.35
<b>DILUTED EARNINGS (LOSS) PER SHARE OF COMMON STOCK</b>				
Continuing operations	\$ 0.28	\$ 0.89	\$ (0.49)	\$ 1.37
Discontinued operations		(0.02)		(0.02)
Total diluted earnings (loss) per share of common stock	\$ 0.28	\$ 0.87	\$ (0.49)	\$ 1.35
<b>DIVIDENDS PER SHARE OF COMMON STOCK</b>				
	\$ 0.33	\$ 0.32	\$ 0.66	\$ 0.64
<b>AVERAGE SHARES OUTSTANDING (in thousands):</b>				
Basic	162,847	79,327	129,163	79,220
Diluted	166,084	79,744	129,163	79,591

See notes to condensed consolidated financial statements.

**Table of Contents**

**STANLEY BLACK & DECKER, INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**JULY 3, 2010 AND JANUARY 2, 2010**

(Unaudited, Millions of Dollars, Except Per Share Amounts)

	<b>2010</b>	<b>2009</b>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 1,598.4	\$ 400.7
Accounts and notes receivable, net	1,550.0	532.0
Inventories, net	1,295.2	366.2
Prepaid expenses	106.6	73.2
Other current assets	322.2	39.8
<b>Total Current Assets</b>	<b>4,872.4</b>	<b>1,411.9</b>
<b>Property, Plant and Equipment, net</b>	<b>1,067.0</b>	<b>575.9</b>
<b>Goodwill</b>	<b>5,039.2</b>	<b>1,818.4</b>
<b>Customer Relationships, net</b>	<b>735.5</b>	<b>413.4</b>
<b>Trade Names, net</b>	<b>1,799.2</b>	<b>331.1</b>
<b>Other Intangible Assets, net</b>	<b>137.3</b>	<b>31.9</b>
<b>Other Assets</b>	<b>345.0</b>	<b>186.5</b>
<b>Total Assets</b>	<b>\$ 13,995.6</b>	<b>\$ 4,769.1</b>
<b>LIABILITIES AND SHAREOWNERS EQUITY</b>		
<b>Current Liabilities</b>		
Short-term borrowings	\$ 343.9	\$ 90.4
Current maturities of long-term debt	427.4	208.0
Accounts payable	979.5	410.1
Accrued expenses	1,323.9	483.5
<b>Total Current Liabilities</b>	<b>3,074.7</b>	<b>1,192.0</b>
<b>Long-Term Debt</b>	<b>2,318.7</b>	<b>1,084.7</b>
<b>Post-Retirement Benefits</b>	<b>901.5</b>	<b>136.7</b>
<b>Deferred Taxes</b>	<b>393.7</b>	<b>120.4</b>
<b>Other Liabilities</b>	<b>672.5</b>	<b>223.8</b>
<b>Commitments and Contingencies (Note R)</b>		
<b>Stanley Black &amp; Decker, Inc. Shareowners Equity</b>		
Common stock, par value \$2.50 per share	440.7	230.9
Authorized 300,000,000 shares		
Issued 176,335,572 and 92,343,410 at July 3, 2010 and January 2, 2010, respectively		
Additional paid in capital	4,935.1	126.7
Retained earnings	2,152.5	2,295.5
Accumulated other comprehensive loss	(384.4)	(76.5)
ESOP	(77.6)	(80.8)
	<b>7,066.3</b>	<b>2,495.8</b>
Less: cost of common stock in treasury	457.1	509.7

<b>Stanley Black &amp; Decker, Inc. Shareowners Equity</b>	6,609.2	1,986.1
Non-controlling interests	25.3	25.4
<b>Total Equity</b>	6,634.5	2,011.5
<b>Total Liabilities and Shareowners Equity</b>	\$ 13,995.6	\$ 4,769.1

See notes to condensed consolidated financial statements.

4

---



**Table of Contents**

**STANLEY BLACK & DECKER, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**THREE AND SIX MONTHS ENDED JULY 3, 2010 AND JULY 4, 2009**

(Unaudited, Millions of Dollars)

	<b>Second Quarter</b>		<b>Year to Date</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
<b>OPERATING ACTIVITIES</b>				
Net earnings (loss)	\$ 46.3	\$ 70.7	\$ (62.2)	\$ 109.1
Less: Net earnings attributable to non-controlling interest	0.5	1.2	0.6	1.9
Net earnings (loss) attributable to Stanley Black & Decker, Inc	45.8	69.5	(62.8)	107.2
Depreciation and amortization	92.7	48.9	152.4	96.9
Inventory step-up amortization	117.7		159.3	
Stock-based compensation	18.4	5.3	49.9	9.0
Asset impairments	5.8	0.3	7.8	1.0
Changes in working capital	(20.0)	29.7	(110.4)	(15.6)
Changes in other assets and liabilities	(39.4)	(85.6)	(7.9)	(126.8)
Cash provided by operating activities	221.0	68.1	188.3	71.7
<b>INVESTING ACTIVITIES</b>				
Capital expenditures and capitalized software	(35.1)	(25.1)	(57.2)	(46.8)
Proceeds from sale of businesses		0.1		0.9
Business acquisitions and asset disposals	(10.9)	0.3	(18.1)	(5.7)
Cash acquired from Black & Decker			949.4	
Interest rate swap terminations			30.0	
Proceeds from net investment hedge settlements	15.8		15.8	
Payments on net investment hedge settlements			(16.1)	
Cash (used in)/provided by investing activities	(30.2)	(24.7)	903.8	(51.6)
<b>FINANCING ACTIVITIES</b>				
Payments on long-term debt	(0.8)	(60.5)	(201.6)	(61.6)
Stock purchase contract fees	(3.9)	(3.8)	(7.7)	(7.6)
Net short-term borrowings (repayments)	(357.1)	54.8	78.8	47.4
Cash dividends on common stock	(54.6)	(25.3)	(88.9)	(50.6)
Proceeds from the issuance of common stock	346.9	7.6	360.9	7.6
Purchase of common stock for treasury	(2.1)	(0.1)	(2.2)	(0.7)
Premium paid for share repurchase option				(16.4)
Other		3.8		4.0
Cash (used in)/provided by financing activities	(71.6)	(23.5)	139.3	(77.9)
Effect of exchange rate changes on cash	(26.2)	8.4	(33.7)	2.5
Change in cash and cash equivalents	93.0	28.3	1,197.7	(55.3)
Cash and cash equivalents, beginning of period	1,505.4	128.0	400.7	211.6
	\$ 1,598.4	\$ 156.3	\$ 1,598.4	\$ 156.3

**CASH AND CASH EQUIVALENTS, END OF  
PERIOD**

See notes to condensed consolidated financial statements.

5

---

**Table of Contents**

**STANLEY BLACK & DECKER, INC. AND SUBSIDIARIES**  
**Consolidated Statements of Changes in Shareowners' Equity**  
**Periods ended July 3, 2010 and July 4, 2009**  
(Millions of Dollars, Except Per Share Amounts)

	Common Stock	Additional Paid In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	ESOP	Treasury Stock	Non-controlling Interests	Shareowners' Equity
<b>Balance</b>								
<b>January 2, 2010</b>	\$ 230.9	\$ 126.7	\$ 2,295.5	\$ (76.5)	\$ (80.8)	\$ (509.7)	\$ 25.4	\$ 2,011.5
Comprehensive income:								
Net (loss)/earnings			(62.8)				0.6	(62.2)
Currency translation adjustment and other				(272.4)				(272.4)
Cash flow hedge, net of tax				(37.8)				(37.8)
Change in pension				2.3				2.3
Total comprehensive income (loss)			(62.8)	(307.9)			0.6	(370.1)
Cash dividends declared \$0.66 per share			(81.2)					(81.2)
Equity purchase contracts - stock issuance	12.9	307.1						320.0
Issuance of common stock		(18.6)				56.1		37.5
Black & Decker consideration paid	196.9	4,458.9				0.4		4,656.2
Repurchase of common stock (36,931 shares)						(2.2)		(2.2)
Non-controlling interest buyout		0.7					(0.7)	
Settlement of equity option		1.7				(1.7)		
Other, stock-based compensation related		49.9						49.9
Tax benefit related to stock options		8.7						8.7

exercised ESOP and related tax benefit		1.0		3.2		4.2
--	--	-----	--	-----	--	-----

**Balance July 3,  
2010**      \$ 440.7   \$ 4,935.1   \$ 2,152.5   \$ (384.4)   \$ (77.6)   \$ (457.1)   \$ 25.3   \$ 6,634.5

## Consolidated Statements of Changes in Shareowners' Equity

	Common Stock	Additional Paid In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	ESOP	Treasury Stock	Non-control- ling Interests	Shareowners' Equity
<b>Balance January 3, 2009</b>	\$ 230.9	\$ 91.5	\$ 2,199.9	\$ (152.0)	\$ (87.2)	\$ (576.8)	\$ 18.5	\$ 1,724.8
Comprehensive income:								
Net earnings			107.2				1.9	109.1
Less:								
Redeemable interest reclassified to liabilities							(0.2)	(0.2)
Currency translation adjustment and other				38.4				38.4
Cash flow hedge, net of tax				(4.4)				(4.4)
Change in pension				(5.7)				(5.7)
Total comprehensive income			107.2	28.3			1.7	137.2
Cash dividends declared \$0.64 per share			(50.6)					(50.6)
Issuance of common stock			(8.7)			16.3		7.6
Repurchase of common stock (23,344 shares)						(0.7)		(0.7)
Premium paid on equity option		(16.4)						(16.4)
Other, stock-based compensation		9.0						9.0

related

&nbe="FONT-FAMILY:

'Times New Roman',

Times, serif;

Formation of a

FONT-SIZE:

joint venture

10pt">(12,478

)

\$

(5,761

)

Net loss

\$

(4,811

)

\$

(1,859

)

\$

(12,478

)

\$

(5,761

)

Other comprehensive income:

Foreign currency translation adjustments

21

50

(48

)

50

Comprehensive loss

\$

(4,790

)

\$

(1,809

)

\$  
(12,526  
)

\$  
(5,711  
)

Per share data:

Basic and diluted net loss per common share

\$  
(0.12  
)

\$  
(0.07  
)

\$  
(0.31  
)

\$  
(0.28  
)

Weighted average common shares outstanding – Basic and diluted

40,371,064

28,430,676

40,316,468

20,592,099

See accompanying notes.

Page 4

---

Index

Cesca Therapeutics Inc.  
Condensed Consolidated Statements of Cash Flows (Unaudited)  
(in thousands)

	Nine Months Ended March 31,	
	2015	2014
Cash flows from operating activities:		
Net loss	\$ (12,478)	\$ (5,761)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	1,013	587
Stock based compensation expense	966	462
Impairment of intangible asset	117	--
Net change in operating assets and liabilities:		
Accounts receivable, net	(1,027 )	(724 )
Inventories	66	(430 )
Prepaid expenses and other current assets	17	84
Other assets	1	3
Accounts payable	1,110	(397 )
Accrued payroll and related expenses	383	174
Deferred revenue	6	129
Other liabilities	511	(223 )
Net cash used in operating activities	(9,315 )	(6,096)
Cash flows from investing activities:		
Capital expenditures	(544 )	(326 )
Cash acquired in acquisition	--	351
Net cash provided by (used in) investing activities	(544 )	25
Cash flows from financing activities:		
Payments on capital lease obligations	(39 )	--
Repayment of related party notes payable	--	(150 )
Exercise of options	--	21
Issuance of common stock	--	5,944
Repurchase of common stock	(97 )	(68 )
Net cash provided by (used in) financing activities	(136 )	5,747
Effects of foreign currency rate changes on cash and cash equivalents	(24 )	15
Net decrease in cash and cash equivalents	(10,019)	(309 )
Cash and cash equivalents at beginning of period	14,811	6,884
Cash and cash equivalents at end of period	\$ 4,792	\$ 6,575
Supplemental non-cash financing and investing information:		
Transfer of inventories to equipment	\$ 482	\$ 65
Stock issued for repayment of related party note payable	--	\$ 187

Equipment acquired by capital lease	\$ 208	--
-------------------------------------	--------	----

See accompanying notes.

Page 5

---



Index

Cesca Therapeutics Inc.

Notes to Condensed Consolidated Financial Statements

(Unaudited)

(in thousands, except share and per share amounts)

1. Basis of Presentation and Summary of Significant Accounting Policies

Organization and Basis of Presentation

Cesca Therapeutics Inc. (the Company, we or our) is focused on the research, development, and commercialization of autologous cell-based therapeutics for use in regenerative medicine. We are a leader in developing and manufacturing automated blood and bone marrow processing systems that enable the separation, processing and preservation of cell and tissue therapy products.

Liquidity

At March 31, 2015, we had cash and cash equivalents of \$4,792 and working capital of \$7,316. This compares to cash and cash equivalents of \$14,811 and working capital of \$18,947 at June 30, 2014. The Company has primarily financed operations through private and public placement of equity securities.

Net cash used in operating activities for the nine months ended March 31, 2015 was \$9,315 compared to \$6,096 for the nine months ended March 31, 2014. The increase is primarily due to costs associated with transforming the company from a device oriented company to a fully integrated regenerative medicine company. Significant investments were made in research and development to develop and advance our clinical programs.

Based on our cash balance, historical trends, expected outflows for our clinical trial programs and projections for revenues, we expect to raise capital for investing in the strategic business plan through equity, strategic development partners or grants, debt, depending on market conditions. Should we require additional funding, such as additional capital investments, we may need to raise the required additional funds through bank borrowings or public or private sales of debt or equity securities. We cannot assure that such funding will be available in needed quantities or on terms favorable to us, if at all. If we are unable to generate sufficient revenues or to obtain additional funds for our working capital needs, we may need to scale-back operations or slow down our clinical trial programs.

Principles of Consolidation

The condensed consolidated financial statements include the accounts of Cesca Therapeutics Inc., and our wholly-owned subsidiaries, TotipotentRX Cell Therapy, Pvt. Ltd. and TotipotentSC Scientific Product Pvt. Ltd. All significant intercompany accounts and transactions have been eliminated upon consolidation.

Interim Reporting

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States (U.S. GAAP) for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, certain information and footnote disclosures normally included in annual financial statements prepared in accordance with U.S. GAAP have been condensed or omitted pursuant to such Securities and Exchange Commission (SEC) rules and regulations and accounting principles applicable for interim periods. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Events subsequent to the balance sheet date have been evaluated for inclusion in the accompanying condensed financial statements through the date of issuance. Operating results for the nine month period ended March 31, 2015, are not necessarily indicative of the results that may be expected for the year ending June 30, 2015. These unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and the notes thereto included in the Annual Report on Form 10-K for the fiscal year ended June 30, 2014.



## Index

### Revenue Recognition

Revenues from the sale of our products and services are recognized when persuasive evidence of an arrangement exists, delivery has occurred (or services have been rendered), the price is fixed or determinable, and collectability is reasonably assured. We generally ship products F.O.B. shipping point. There is no conditional evaluation on any product sold and recognized as revenue. Amounts billed in excess of revenue recognized are recorded as deferred revenue on the balance sheet.

Our sales are generally through distributors. There is no right of return provided for distributors. For sales of products made to distributors, we consider a number of factors in determining whether revenue is recognized upon transfer of title to the distributor, or when payment is received. These factors include, but are not limited to, whether the payment terms offered to the distributor are considered to be non-standard, the distributor history of adhering to the terms of its contractual arrangements with us, the level of inventories maintained by the distributor, whether we have a pattern of granting concessions for the benefit of the distributor, and whether there are other conditions that may indicate that the sale to the distributor is not substantive. We currently recognize revenue primarily on the sell-in method with our distributors.

Revenue arrangements with multiple deliverables are divided into units of accounting if certain criteria are met, including whether the deliverable item(s) has (have) value to the customer on a stand-alone basis. Revenue for each unit of accounting is recognized as the unit of accounting is delivered. Arrangement consideration is allocated to each unit of accounting based upon the relative estimated selling prices of the separate units of accounting contained within an arrangement containing multiple deliverables. Estimated selling prices are determined using vendor specific objective evidence of value (VSOE), when available, or an estimate of selling price when VSOE is not available for a given unit of accounting. Significant inputs for the estimates of the selling price of separate units of accounting include market and pricing trends and a customer's geographic location. We account for training and installation, and service agreements and the collection, processing and testing of the umbilical cord blood and the storage as separate units of accounting.

Service revenue generated from contracts for providing maintenance of equipment is amortized over the life of the agreement. Revenue generated from storage contracts is deferred and recorded ratably over the life of the agreement, up to 21 years. All other service revenue is recognized at the time the service is completed.

Revenues are net of normal discounts. Shipping and handling fees billed to customers are included in net revenues, while the related costs are included in cost of revenues.

### Fair Value of Financial Instruments

The carrying values of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities approximate fair value due to their short duration. At March 31, 2015, we had approximately \$260 in cash equivalents classified as Level 1 assets, which are based on quoted market prices in active markets for identical assets. As of March 31, 2014 and 2015, we did not have any Level 2 or 3 financial instruments.

## Index

### Segment Reporting

We have one reportable business segment: the research, development, and commercialization of autologous cell-based therapeutics for use in regenerative medicine.

### Net Loss per Share

Net loss per share is computed by dividing the net loss to common stockholders by the weighted average number of common shares outstanding. The calculation of the basic and diluted earnings per share is the same for all periods presented, as the effect of the potential common stock equivalents is anti-dilutive due to our net loss position for all periods presented. Anti-dilutive securities, which consist of stock options, common stock restricted awards and warrants, that were not included in diluted net loss per common share, were 7,985,194 and 4,741,159 as of March 31, 2015 and 2014, respectively.

### Stock-Based Compensation

We estimate the fair value of stock options granted using the Black-Scholes-Merton option-pricing formula. This fair value is then amortized on a straight-line basis over the requisite service periods of the awards, which is generally the vesting period.

### Acquired In-Process Research and Development

Acquired in-process research and development (“clinical protocols”) that the Company acquires through business combinations represents the fair value assigned to incomplete research projects which, at the time of acquisition, have not reached technological feasibility. The amounts are capitalized and are accounted for as indefinite-lived intangible assets, subject to impairment testing until completion or abandonment of the projects. Upon successful completion of each project, we will make a determination as to the then useful life of the intangible asset, generally determined by the period in which the substantial majority of the cash flows are expected to be generated, and begin amortization. The Company tests clinical protocols for impairment at least annually, or more frequently if impairment indicators exist, by first assessing qualitative factors to determine whether it is more likely than not that the fair value of the clinical protocols intangible asset is less than its carrying amount. If the Company concludes it is more likely than not that the fair value is less than the carrying amount, a quantitative test that compares the fair value of the clinical protocol intangible asset with its carrying value is performed. If the fair value is less than the carrying amount, an impairment loss is recognized in operating results.

### Patent Costs

The costs incurred in connection with patent applications and in defending and maintaining intellectual property rights are expensed as incurred.

### Recently Adopted Accounting Pronouncements

In July 2013, the Financial Accounting Standards Board (“FASB”) issued an Accounting Standards Update, ASU 2013-11, “Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists”. This amendment requires entities to present an unrecognized tax benefit or a portion of an unrecognized tax benefit, as a reduction to a deferred tax asset for a net operating loss carryforward or a similar tax loss or a tax credit carryforward, unless certain conditions exist. We adopted ASU 2013-11 effective July 1, 2014. The adoption of ASU 2013-11 did not have a material impact on our results of operations or financial condition.

In March 2013, the FASB issued ASU 2013-05, “Foreign Currency Matters” (Topic 830) which provides guidance on a parent’s accounting for the cumulative translation adjustment upon de-recognition of a subsidiary or group of assets within a foreign entity. This new guidance requires that the parent release any related cumulative translation adjustment into net income only if the sale or transfer results in the complete or substantially complete liquidation of the foreign entity in which the subsidiary or group of assets had resided. The new guidance was effective for us beginning July 1, 2014. The adoption of ASU 2013-05 did not have a material impact on our results of operations or

financial condition.

Page 8

---

Index

Recently Issued Accounting Pronouncements

In August 2014, the FASB issued ASU 2014-15, “Disclosure of Uncertainties about an Entity’s Ability to Continue as a Going Concern”. ASU 2014-15 is intended to define management’s responsibility to evaluate whether there is substantial doubt about an organization’s ability to continue as a going concern and to provide related footnote disclosures. For all entities, the ASU is effective for annual periods ending after December 15, 2016 and interim periods within annual periods beginning after December 15, 2016. Early adoption is permitted. We are currently assessing the potential impact, if any, the adoption of ASU 2014-15 may have on our condensed consolidated financial statements.

In June 2014, the FASB issued ASU No. 2014-12 “Compensation — Stock Compensation (Topic 718), Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period”. A performance target in a share-based payment that affects vesting and that could be achieved after the requisite service period should be accounted for as a performance condition under Accounting Standards Codification (ASC) 718, Compensation — Stock Compensation. As a result, the target is not reflected in the estimation of the award’s grant date fair value. Compensation cost would be recognized over the required service period, if it is probable that the performance condition will be achieved. The guidance is effective for annual periods beginning after December 15, 2015 and interim periods within those annual periods. Early adoption is permitted. We are currently assessing the potential impact, if any, the adoption of ASU 2014-15 may have on our condensed consolidated financial statements.

In May 2014, the FASB issued ASU 2014-09, “Revenue from Contracts with Customers (Topic 606)” which provides comprehensive guidance for revenue recognition. ASU 2014-09 affects any entity that either enters into contracts with customers to transfer goods or services or enters into contracts for the transfer of nonfinancial assets. The core principle of the guidance provides that a company should recognize revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2016, using either a full retrospective or modified retrospective method of adoption. We are currently evaluating the transition method we will adopt and the impact of the adoption of ASU 2014-09 on our condensed consolidated financial statements.

2. Acquisition of Totipotent RX

On February 18, 2014, the Company consummated the acquisition of TotipotentRX by merger pursuant to the Agreement and Plan of Merger and Reorganization (Merger Agreement). TotipotentRX was a privately held biomedical technology company specializing in human clinical trials in the field of regenerative medicine and the exclusive provider of cell-based therapies to the Fortis Healthcare System. TotipotentRX had two wholly-owned subsidiaries, TotipotentRX Cell Therapy Pvt. Ltd. (TotiRX India) and TotipotentSC Product Pvt. Ltd. (TotiSC India). The two subsidiaries are located in Gurgaon, a suburb of New Delhi, India. The Company believes that TotipotentRX has the depth of clinical, scientific and biological engineering experience necessary to fully engineer and effectively navigate the evolving regulatory pathways necessary to commercialize approved blockbuster cell therapies

The acquisition was accounted for under the acquisition method of accounting for business combinations in accordance with FASB ASC 805, “Business Combinations” (ASC 805), which requires, among other things that the assets acquired and liabilities assumed be recognized at their fair values as of the acquisition date. Acquisition-related costs are not included as a component of the acquisition accounting, but are recognized as expenses in the periods in which the costs are incurred. Acquisition related costs of \$484 and \$1,725 for the three and nine months ended March 31, 2014 were included in general and administrative expenses.



Index

## Allocation of Consideration Transferred to Net Assets Acquired

The following represents the consideration transferred to acquire TotipotentRX and our determination of the fair value of identifiable assets acquired and liabilities assumed at the acquisition date. Certain adjustments related to TotipotentRX's opening balance sheet were finalized during the second quarter of fiscal 2015. As a result, the carrying amount of equipment acquired in the acquisition was increased by \$59, with a corresponding decrease to goodwill.

## Purchase Price:

ThermoGenesis common shares and warrants		\$27,287
Fair value of assets acquired:		
Cash	\$351	
Receivables	171	
Inventories	191	
Clinical protocols	19,870	
Other intangible assets	2,187	
Equipment	384	
Other assets	132	
Total assets	23,286	
Fair value of liabilities assumed:		
Accounts payable	514	
Related party notes payable	337	
Deferred tax liability	8,048	
Other liabilities	295	
Total liabilities	9,194	
Net assets acquired		14,092
Goodwill		\$13,195

## Supplemental Pro Forma Data

The Company used the acquisition method of accounting to account for the Totipotent RX acquisition and, accordingly, the results of TotipotentRX are included in the Company's consolidated financial statements for the period subsequent to the date of acquisition. The following unaudited supplemental pro forma data for the quarter and nine months ended March 31, 2014 present consolidated information as if the acquisition had been completed on July 1, 2013. The pro forma results were calculated by combining the results of ThermoGenesis Corp with the stand-alone results of Totipotent RX for the pre-acquisition periods:

	Three Months Ended March 31, 2014	Nine Months Ended March 31, 2014
Net revenues	\$ 4,099	\$ 12,738
Net loss	\$ (1,702)	\$ (5,139)
Basic and Diluted Net Loss per common share	\$ (0.04)	\$ (0.16)

The unaudited pro forma financial information reflects certain adjustments related to the acquisition, such as the incremental amortization expense in connection with recording acquired identifiable intangible assets at fair value, the incremental payroll expense associated with the new executive salaries resulting from the merger, and the elimination of the impact of historical transactions between ThermoGenesis and TotipotentRX that would have been treated as intercompany transactions had the companies been consolidated. The unaudited pro forma financial information also excludes certain non-recurring expenses directly attributable to the merger in the amount of \$531 and \$1,933 for the three and nine months ended March 31, 2014, respectively.





Index3. Intangible Assets

Intangible assets consist of the following based on our preliminary determination of the fair value of identifiable assets acquired (see footnote 2):

	March 31, 2015			
	Weighted			
	Average			
	Amortization			
	Period			
	Gross			
	(in	Carrying	Accumulated	Net
	Years)	Amount	Amortization	
Trade names	7	\$ 31	\$ 5	\$26
Licenses	7	498	80	418
Customer relationships	3	458	172	286
Device registration	7	93	10	83
Covenants not to compete	5	955	216	739
Clinical protocols		19,870	--	19,870
Total	5.1	\$ 21,905	\$ 483	\$21,422

The change in the gross carrying amount is due to foreign currency exchange fluctuations and a \$117 impairment of the device registration and licenses intangible assets due to discontinuing a cord-blood product. Amortization of intangible assets was \$114 and \$343 for the three months and nine months ended March 31, 2015. Clinical protocols have not yet been introduced to the market place and are therefore not yet subject to amortization. Our estimated future amortization expense for years ended June 30, is as follows:

Year Ended June 30,	
April 1 – June 30, 2015	\$ 115
2016	452
2017	370
2018	275
2019	203
Thereafter	137
Total	\$ 1,552

4. Commitments and Contingencies

## Contingencies

On April 11, 2013, we filed an answer and counter-claims in response to the complaint Harvest Technologies Corp. (Harvest) filed on October 24, 2012 against the Company in the case captioned as Harvest Technologies Corp. v. ThermoGenesis Corp., 12-cv-01354, U.S. District Court, District of Delaware (Wilmington), with the complaint being amended on February 15, 2013 to name the Company's customer Celling Technologies, LLC as a defendant. In the complaint, Harvest contends that our Res-Q 60 System infringes certain Harvest patents. Our counter-claims are based on anti-trust and other alleged improper conduct by Harvest and further seek declarations that the Res-Q 60 System does not infringe the patents and that the patents are invalid. Management considers it probable that the case will settle and an immaterial settlement payment will be made and has made an appropriate accrual as of March 31, 2015.

Index

Warranty

We offer a warranty on all of our products of one to two years, except disposable products which we warrant through their expiration date. We periodically assess the adequacy of our recorded warranty liabilities and adjust the amounts as necessary.

The warranty liability is included in other current liabilities in the unaudited balance sheet. The change in the warranty liability for the nine months ended March 31, 2015 is summarized in the following table:

Balance at July 1, 2014	\$498
Warranties issued during the period	137
Settlements made during the period	(99 )
Changes in liability for pre-existing warranties during the period	102
Balance at March 31, 2015	\$638

Index5. Stockholders' Equity

## Stock Based Compensation

We recorded stock-based compensation of \$290 and \$966 for the three and nine months ended March 31, 2015, and \$178 and \$462 for the three and nine months ended March 31, 2014.

Upon the separation with our Chief Executive Officer in October 2014, in accordance with his employment agreement, all outstanding options and restricted stock awards which would have otherwise vested by July 31, 2015, immediately vested. As a result, the Company recognized \$158 of stock compensation expense in general and administrative during the quarter ended December 31, 2014 as the vesting accelerated on 166,667 options and 70,000 restricted stock awards.

The following is a summary of option activity for our stock option plans:

	Number of Shares	Weighted- Average Exercise Price	Weighted- Average Remaining Contractual Life	Aggregate Intrinsic Value
Outstanding at June 30, 2014	1,253,035	\$ 2.08		
Granted	1,369,250	\$ 1.26		
Forfeited	(70,000 )	\$ 2.50		
Expired	(169,500 )	\$ 3.43		
Outstanding at March 31, 2015	2,382,785	\$ 1.50	4.7	--
Vested and Expected to Vest at March 31, 2015	2,050,445	\$ 1.50	4.5	--
Exercisable at March 31, 2015	961,179	\$ 1.65	2.9	--

The aggregate intrinsic value is calculated as the difference between the exercise price of the underlying awards and the quoted price of the Company's common stock. During the nine months ended March 31, 2014, the aggregate intrinsic value of options exercised under the Company's stock option plans was \$4. There were no options exercised during the nine months ended March 31, 2015.

The fair value of the Company's stock options granted for the nine months ended March 31, 2015 was estimated using the following weighted-average assumptions:

Expected life (years)	4
Risk-free interest rate	1.37%
Expected volatility	76 %
Dividend yield	0 %

Index

## Common Stock Restricted Awards

The following is a summary of restricted stock activity during the nine months ended March 31, 2015:

	Number of Shares	Weighted Average Grant Date Fair Value
Balance at June 30, 2014	803,799	\$ 1.90
Granted	12,000	\$ 0.88
Vested	(269,999)	\$ 2.01
Forfeited	(10,791 )	\$ 1.39
Outstanding at March 31, 2015	535,009	\$ 1.83

In connection with the vesting of the restricted stock awards, the election was made by some of the employees to satisfy the applicable federal income tax withholding obligation by a net share settlement, pursuant to which the Company withheld 85,484 shares and used the deemed proceeds from those shares to pay the income tax withholding. The net share settlement is deemed to be a repurchase by the Company of its common stock.

## Warrants

A summary of warrant activity for the nine months ended March 31, 2015 follows:

	Number of Shares	Weighted-Average Exercise Price Per Share	Weighted-Average Contractual Life
Beginning balance	5,113,420	\$ 2.21	4.1
Warrants granted	--	--	
Warrants canceled	(61,020 )	\$ 2.15	
Warrants exercised	--	--	
Outstanding at March 31, 2015	5,052,400	\$ 2.21	3.4
Exercisable at March 31, 2015	5,052,400	\$ 2.21	3.4

At March 31, 2015, the total intrinsic value of warrants outstanding and exercisable was \$0.

Index

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

Forward - Looking Statements

This report contains forward-looking statements. The forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from the forward-looking statements contained herein. When used in this report, the words "anticipate," "believe," "estimate," "expect" and similar expressions as they relate to the Company or its management are intended to identify such forward-looking statements. Our actual results, performance or achievements could differ materially from the results expressed in, or implied by these forward-looking statements. We wish to caution readers of the important factors, among others, that in some cases have affected, and in the future could affect our actual results and could cause actual results for fiscal year 2015 and beyond, to differ materially from those expressed in any forward-looking statements made by, or on behalf of, the Company. These factors include without limitation, the ability to obtain capital and other financing in the amounts and at the times needed to complete clinical trials and product marketing for new products, market acceptance of new products, regulatory approval and time frames for such approval of new products and new claims for existing products, realization of forecasted income and expenses, initiatives by competitors, price pressures, failure to meet FDA regulations governing our products and operations and recalls associated with such regulations, the risks associated with initiating manufacturing for new products, failure to meet FCPA regulations, legal proceedings, and the risk factors listed from time to time in our SEC reports, including, in particular, the factors and discussion in the Cesca Therapeutics Inc. Form 10-K for fiscal year 2014. Dollars and amounts set forth below are in thousands, except share and per share amounts.

Overview

Cesca Therapeutics is focused on the research, development, and commercialization of autologous cell-based therapeutics for use in regenerative medicine. We are a leader in developing and manufacturing automated blood and bone marrow processing systems that enable the separation, processing and preservation of cell and tissue therapy products. The Company was founded in 1986 and is headquartered in Rancho Cordova, California. Our growth strategy is to expand our offerings in the development of regenerative medicine tools and partner with other pioneers in the stem cell arena to accelerate our clinical evaluations and our worldwide penetration in this market.

On February 18, 2014, TotipotentRX Corporation merged with and into ThermoGenesis Corp. In connection with the merger, ThermoGenesis changed its name from ThermoGenesis Corp. to Cesca Therapeutics Inc. The Company believes that TotipotentRX has the depth of clinical, scientific and biological engineering experience necessary to develop cell-based therapies in the vascular, orthopedic and oncological areas. As a result of the merger, Cesca is a fully integrated regenerative medicine company with the ability and expertise to research, design, and develop cell therapies targeting unmet clinical needs in large patient populations using our cost effective, clinically proven, point-of-care delivery system, SurgWerks. TotipotentRX was a privately held biomedical technology company specializing in human clinical trials in the field of regenerative medicine and the exclusive provider of cell-based therapies to the Fortis Healthcare System. TotipotentRX had two wholly-owned subsidiaries, TotipotentRX Cell Therapy Pvt. Ltd. (TotiRX India) and TotipotentSC Product Pvt. Ltd. (TotiSC India). The two subsidiaries are located in Gurgaon, a suburb of New Delhi, India. The operations of TotipotentRX have been included in our consolidated results as of February 18, 2014.

## Index

### Stem Cell Therapies

We are currently focusing our clinical therapy efforts in three areas:

**Critical Limb Ischemia (CLI)** - On December 19, 2014 the U.S. Food and Drug Administration (FDA) responded to the Company's application for an Investigational Device Exemption (IDE) for a pivotal multicenter study called CLIRST III. The FDA notified the company that certain deficiencies existed in the application, which would have to be corrected prior to further evaluation of the application. The Company filed an amendment in May 2015 with the recommended changes and supporting data and received approval on June 12, 2015 to initiate the pivotal IDE in the U.S. The pivotal trial application was based on a CLI Phase 1b trial which enrolled 17 patients who were considered "no option" patients, and numerous other clinical and non-clinical studies. CLI is the last phase of peripheral vascular disease, in which the leg is so deprived of blood flow and oxygen, that it can develop visible signs of gangrenous ulceration. In each of these cases, the surgeon had determined that the patient required major amputation (below the knee) of the leg. Alternatively, the patient was asked to participate in the study where their bone marrow stem cells were harvested and processed through a Cesca device, and injected into multiple sites along the afflicted limb. After 12 months 82.4% of the patients had retained their leg and showed measurable improvement in blood flow and pain.

**Acute Myocardial Infarction (AMI)** – This therapy is designed to treat patients who have suffered an acute ST-elevated myocardial infarction (STEMI), a particular and most threatening type of heart attack. The SurgWerks-AMI treatment is designed to minimize remodeling of the heart from dysfunctional blood pumping action by minimizing the dysfunctional enlarging of the heart. The entire 4-step bedside treatment takes less than 90 minutes to complete in a single procedure in the heart catheterization laboratory.

**Bone Marrow Transplant (BMT)** – This multi-faceted program is characterized by two sub-programs, the CellWerks-BMT proprietary device system and the Fortis-TotipotentRX BMT service program. The CellWerks-BMT device platform is designed to satisfy an unmet need in pediatric BMT therapy. Our BMT service initiative, a scalable collaboration with Fortis Memorial Research Institute, is focused on the critical unmet need for populations lacking access to qualified donors. Our program optimizes the process and makes this life saving technology accessible to hospitals and patients in large developing regions.

### Our Products

The SurgWerks Platform and VXP System, a proprietary stem cell therapy point-of-care kit and automated cell isolation system for treating vascular and orthopedic indications that integrate the following indication specific devices and biologic protocols:

- Cell harvesting
- Cell processing and selection
- Cell diagnostics
- Cell delivery

The MarrowXpress® or MXP System, a derivative product of the AXP and its accompanying disposable bag set, isolates and concentrates stem cells from bone marrow. The product is an automated, closed, sterile system that volume-reduces blood from bone marrow to a user-defined volume in 30 minutes, while retaining over 90% of the MNCs, a clinically important cell fraction. Self-powered and microprocessor-controlled, the MXP System contains flow control optical sensors that achieve precise separation. We have received the CE-Mark, enabling commercial sales in Europe, and we received authorization from the FDA to begin marketing the MXP as a Class I device in the U.S. for the preparation of cell concentrate from bone marrow. However, the safety and effectiveness of this device for in vivo use has not been established. MXP Platform is an integrated component of The SurgWerks Kit and performs the cell processing and selection.

## Index

The AXP System is a medical device with an accompanying disposable bag set that isolates and retrieves stem cells from umbilical cord blood. The AXP System provides cord blood banks with an automated method to separate and capture adult stem cells which reduces the overall processing and labor costs with a reduced risk of contamination under cGMP conditions. The AXP System retains over 97% of the mononuclear cells (MNCs). High MNC recovery has significant clinical importance to patient transplant survival rates. Self-powered and microprocessor-controlled, the AXP device contains flow control optical sensors that achieve precise separation of the cord blood fractions.

The BioArchive System is a robotic cryogenic medical device used to cryopreserve and archive stem cells for future transplant and treatment. Launched in fiscal 1998, our BioArchive Systems have been purchased by over 110 umbilical cord blood banks in over 35 countries to archive, cryopreserve and store stem cell preparations extracted from human placentas and umbilical cords for future use.

The following is management's discussion and analysis of certain significant factors which have affected our financial condition and results of operations during the period included in the accompanying financial statements.

### Critical Accounting Policies

Management's discussion and analysis of its financial condition and results of operations is based upon the condensed financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these condensed financial statements requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosure of contingent assets and liabilities. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. For a full discussion of our accounting estimates and assumptions that we have identified as critical in the preparation of our condensed financial statements, please refer to our 2014 Annual Report on Form 10-K.



Index

Results of Operations for the Three Months Ended March 31, 2015 as Compared to the Three Months Ended March 31, 2014

## Net Revenues

Revenues for the three months ended March 31, 2015 were \$4,042 consistent with our revenues for the three months ended March 31, 2014 of \$4,038. Revenues from AXP disposables increased over the prior year comparable period as shipments to one of our distributors in Asia has returned to normal levels. This increase was offset by a decrease in revenues associated with our BioArchive devices as we shipped two in the current quarter versus five in the prior year comparable period.

The following represents the Company's revenues by product platform for the three months ended:

	March 31,	
	2015	2014
AXP	\$1,940	\$1,337
BioArchive	876	1,651
Bone Marrow	646	494
Manual Disposables	437	318
Other	143	238
	\$4,042	\$4,038

## Gross Profit

The Company's gross profit was \$1,143 or 28% of net revenues for the three months ended March 31, 2015, compared to \$1,536 or 38% for the corresponding fiscal 2014 period. Gross profit declined primarily due to an increase in manufacturing overhead costs.

## Sales and Marketing Expenses

Sales and Marketing expenses include costs primarily associated with generating revenues from the sale of cord blood and bone marrow disposables and BioArchive devices.

Sales and marketing expenses were \$787 for the three months ended March 31, 2015, as compared to \$687 for the fiscal 2014 period, an increase of \$100 or 15%. Sales and marketing expenses increased primarily due to additional marketing personnel added for the products and services associated with our stem cell therapies.

## Research and Development Expenses

Research and development expenses include costs associated with our engineering, regulatory, scientific and clinical functions.

Research and development expenses were \$1,712 for the three months ended March 31, 2015, compared to \$768 for the comparable fiscal 2014 period, an increase of \$944 or 123%. The increase is primarily due to costs associated with developing our clinical therapies programs and in collection of incremental data to be submitted in an amended CLI pivotal IDE application ("CLIRST III") to the US FDA. Subsequent to the merger in fiscal 2014 and continuing through the first half of fiscal 2015 we increased the personnel in our clinical therapies function to support the continued development and improvement of our vascular cell therapies.

Index

## General and Administrative Expenses

General and administrative expenses include costs associated with our accounting, finance, human resources, information system and executive functions.

General and administrative expenses were \$3,480 for the three months ended March 31, 2015, compared to \$1,940 for the comparable fiscal 2014 period, an increase of \$1,540 or 79%. The increase is primarily due to an increase in legal fees of \$1,000 mainly associated with patent litigation and professional and legal fees of approximately \$350 to analyze and begin remediation on our material weakness in governance practices. These increases were offset by a decline in costs associated with the merger with Totipotent RX of \$235.

## Non-GAAP Measures

In addition to the results reported in accordance with US GAAP, we also use a non-GAAP measure, adjusted EBITDA, to evaluate operating performance and to facilitate the comparison of our historical results and trends. This financial measure is not a measure of financial performance under US GAAP and should not be considered in isolation or as a substitute for loss as a measure of performance. The calculation of this non-GAAP measure may not be comparable to similarly titled measures used by other companies. Reconciliations to the most directly comparable GAAP measure are provided below.

	Three Months Ended March 31,	
	2015	2014
Loss from operations	\$ (4,836)	\$ (1,859)
Add:		
Depreciation and amortization	346	260
Stock-based compensation expense	290	177
Impairment of intangible asset	117	--
Adjusted EBITDA loss	\$ (4,083)	\$ (1,422)

## Adjusted EBITDA

The adjusted EBITDA loss was \$4,083 for the three months ended March 31, 2015 compared to \$1,422 for the three months ended March 31, 2014. The adjusted EBITDA loss increased compared to the third quarter in the prior year due to our investments to develop and advance our clinical program including the preparation of our CLIRST III IDE clinical trial application and amendment to the FDA and legal fees associated with patent litigation.

Index

Results of Operations for the Nine Months Ended March 31, 2015 as Compared to the Nine Months Ended March 31, 2014

## Net Revenues

Revenues for the nine months ended March 31, 2015 were \$12,340 compared to \$12,150 for the nine months ended March 31, 2014, an increase of \$190. Revenues from AXP disposables increased over the prior year comparable period primarily due to an increase in direct shipments to one of our end-user customers who used to purchase from GE. This increase was offset by a decrease in revenues on our BioArchive devices as we deferred revenue until the completion of the installation services.

The following represents the Company's revenues by product platform for the nine months ended:

	March 31,	
	2015	2014
AXP	\$4,974	\$4,667
BioArchive	3,470	3,845
Bone Marrow	1,982	1,814
Manual Disposables	1,299	1,338
Other	615	486
	\$12,340	\$12,150

## Gross Profit

The Company's gross profit was \$3,870 or 31% of net revenues for the nine months ended March 31, 2015, compared to \$4,716 or 39% for the corresponding fiscal 2014 period. Gross profit declined as we had an increase in costs for manufacturing overhead and warranty costs associated with our BioArchive devices and AXP disposables.

## Sales and Marketing Expenses

Sales and marketing expenses were \$2,315 for the nine months ended March 31, 2015, compared to \$2,115 for the comparable fiscal 2014 period, an increase of \$200 or 9%. Sales and marketing expenses increased primarily due to additional marketing personnel added for the products and services associated with our stem cell therapies.

## Research and Development Expenses

Research and development expenses were \$4,731 for the nine months ended March 31, 2015, compared to \$2,398 for the comparable fiscal 2014 period, an increase of \$2,333 or 97%. The increase is primarily due to costs associated with developing our clinical therapies programs. Subsequent to the merger in fiscal 2014 and continuing through the first half of fiscal 2015 we increased the personnel in our clinical therapies function to support the continued development and improvement of our vascular cell therapies and to prepare our IDE application and amendment to the FDA for our forthcoming pivotal trial for our Critical Limb Ischemia Stem Cell Therapy ("CLIRST III").

## General and Administrative Expenses

General and administrative expenses were \$9,300 for the nine months ended March 31, 2015, compared to \$5,964 for the comparable fiscal 2014 period, an increase of \$3,336 or 56%. The increase is primarily due to an increase in legal fees of \$2,440 mainly associated with patent litigation and professional and legal fees of approximately \$350 to analyze and begin remediation on our material weakness in governance practices. These increases were offset by a decline in costs associated with the merger with Totipotent RX of \$1,435.

Index

## Non-GAAP Measures

In addition to the results reported in accordance with US GAAP, we also use a non-GAAP measure, adjusted EBITDA, to evaluate operating performance and to facilitate the comparison of our historical results and trends. This financial measure is not a measure of financial performance under US GAAP and should not be considered in isolation or as a substitute for loss as a measure of performance. The calculation of this non-GAAP measure may not be comparable to similarly titled measures used by other companies. Reconciliations to the most directly comparable GAAP measure are provided below.

	Nine Months Ended March 31,	
	2015	2014
Loss from operations	\$(12,476)	\$(5,761)
Add:		
Depreciation and amortization	1,013	587
Stock-based compensation expense	966	462
Impairment of intangible asset	117	--
Adjusted EBITDA loss	\$(10,380)	\$(4,712)

## Adjusted EBITDA

The adjusted EBITDA loss was \$10,380 for the nine months ended March 31, 2015 compared to \$4,712 for the nine months ended March 31, 2014. The adjusted EBITDA loss increased compared to the third quarter in the prior year due to our investments to develop and advance our clinical program including the preparation of our IDE application and amendment to the FDA and legal fees associated with patent litigation.

## Liquidity and Capital Resources

At March 31, 2015, we had cash and cash equivalents of \$4,792 and working capital of \$7,316. This compares to cash and cash equivalents of \$14,811 and working capital of \$18,947 at June 30, 2014. The Company has primarily financed operations through private and public placement of equity securities.

Net cash used in operating activities for the nine months ended March 31, 2015 was \$9,315 compared to \$6,096 for the nine months ended March 31, 2014. The increase is primarily due to costs associated with transforming the company from a device oriented company to a fully integrated regenerative medicine company. Significant investments were made in research and development to develop and advance our clinical programs.

Based on our cash balance, historical trends, expected outflows for our clinical trial programs and projections for revenues, we anticipate needing to raise capital to invest in the strategic business plan through equity, debt, strategic development partners, licenses or grants, depending on market conditions. Should we require additional funding, such as additional capital investments, we may need to raise the required additional funds through bank borrowings or public or private sales of debt or equity securities. We cannot assure that such funding will be available in needed quantities or on terms favorable to us, if at all. If we are unable to generate sufficient revenues or to obtain additional funds for our working capital needs, we may need to scale-back operations or slow down our clinical trial programs.

Index

Item 3. Quantitative and Qualitative Disclosures about Market Risk

We are a smaller reporting company as defined by Rule 12b-2 of the Securities and Exchange Act of 1934 and are not required to provide information under this item.

Item 4. Controls and Procedures

We carried out an evaluation, under the supervision and with the participation of management, including our Chief Executive Officer along with our Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined by Exchange Act Rule 13a-15(e) and 15d-15(e)) as of the end of our fiscal quarter pursuant to Exchange Act Rule 13a-15. The term disclosure controls and procedures means our controls and other procedures that are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that such information is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were not effective as of March 31, 2015.

Subsequent to the completion of the audit of our financial statements for the year ended June 30, 2014, it was determined that a deficiency existed in our governance practices related to the timeliness and consistency of communications between the audit committee, management and the auditors. This deficiency was concluded to represent a material weakness in our internal control over financial reporting. We have developed and are implementing plans to remediate this material weakness, including the engagement of an independent outside counsel to further review our corporate governance procedures and to recommend appropriate changes.

During the quarter ended March 31, 2014, we completed the acquisition of TotipotentRX. TotipotentRX was a private company and has not been subject to the Sarbanes-Oxley Act of 2002, the rules and regulations of the SEC, or other corporate governance requirements to which public reporting companies may be subject. During the audit of TotipotentRX's financial statements for the year ended December 31, 2012, TotipotentRX's independent registered public accounting firm determined that a material weakness existed in its internal control over financial reporting as TotipotentRX did not have adequate personnel and information systems in place to prepare financial statements on a timely basis, including accrual accounting, non-routine data processes and estimation processes and procedures over financial accounting and reporting. As part of our ongoing integration activities, we are continuing to incorporate the appropriate controls and procedures into the TotipotentRX subsidiaries and to augment our company-wide controls to reflect the risks inherent in an acquisition of this type.

There were no changes in our internal controls over financial reporting that occurred during the three months ended March 31, 2015 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting. We believe that a control system, no matter how well designed and operated, cannot provide absolute assurance that the objectives of the control system are met, and no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within any company have been detected.

Index

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

In the normal course of operations, we may have disagreements or disputes with distributors, vendors or employees. Such potential disputes are seen by management as a normal part of business.

Item 1A. Risk Factors

In addition to the risk factors discussed below and other information set forth in this report, you should carefully consider the factors discussed in Part I, "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended June 30, 2014, which could materially affect our business, financial condition or future results. There have been no material changes from those risk factors, other than the risk factors listed below. The risks described in our Annual Report on Form 10-K are not the only risks we face. Additional risks and uncertainties not currently known or knowable to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and/or operating results.

If the Price of our Common Stock Does Not Meet the Requirements of the NASDAQ Capital Market Stock Exchange, Our Shares may be Delisted. Our Ability to Publicly or Privately Sell Equity Securities and the Liquidity of Our Common Stock Could be Adversely Affected if We Are Delisted. The listing standards of NASDAQ provide, among other things, that a company may be delisted if the bid price of its stock drops below \$1.00 for a period of 30 consecutive business days. The bid price of our stock has been below \$1.00 for a period of greater than 30 consecutive business days. As such, on March 30, 2015, we received a notice from the NASDAQ Listing Qualifications Department informing us that we must regain compliance with listing requirements or face delisting. In order to regain compliance, at any time before September 28, 2015, the bid price of our common stock must close at a price of at least \$1.00 per share for a minimum of 10 consecutive business days. The notice states that NASDAQ will provide us with written notification when our common stock has regained compliance.

If compliance cannot be demonstrated by September 28, 2015, then NASDAQ will decide whether we meet all applicable standards for initial listing on the Capital Market (except the bid price requirement) based on our most recent public filings and market information. The notice states that, if we meet these standards, then we are eligible to have an additional 180 calendar day compliance period. NASDAQ can deny the extension if it does not appear to them that it is possible for us to cure the deficiency. Delisting from NASDAQ could adversely affect our ability to raise additional financing through the public or private sale of equity securities, would significantly affect the ability of investors to trade our securities and would negatively affect the value and liquidity of our common stock. Delisting could also have other negative results, including the potential loss of confidence by employees, the loss of institutional investor interest and fewer business development opportunities.

Index

A Material Weakness in our Internal Control Over Financial Reporting has been Identified and our Business and Stock Price may be Adversely Affected if We do not Adequately Address this Weakness or if We have other Material Weaknesses or Significant Deficiencies in our Internal Control Over Financial Reporting. Subsequent to the completion of the audit of our financial statements for the year ended June 30, 2014, it was determined that a deficiency exists in our governance practices related to the timeliness and consistency of communications between the audit committee, management and the auditors. This deficiency was concluded to represent a material weakness in our internal control over financial reporting. This issue was discussed by the audit committee and we have developed and are implementing plans to remediate this material weakness, including the engagement of an independent outside counsel to further review its corporate governance procedures and to recommend appropriate changes. Further, in May 2015, we changed auditors. This material weakness in our internal control, or any other material weakness or significant deficiencies in our internal control over financial reporting, could adversely affect our stock price and value.

We Intend to Raise Additional Capital to Fund our Operations and in Furtherance of Our Business Plan. We intend to raise additional capital in the near future to fund our operations and in furtherance of our business plan. The proposed financing may include shares of common stock, shares of preferred stock, warrants to purchase shares of common stock or preferred stock, debt securities, units consisting of the foregoing securities, equity investments from strategic development partners or some combination of each. Any additional equity financings may be financially dilutive to, and will be dilutive from an ownership perspective to our stockholders, such dilution may be significant based upon the size of such financing.

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

None.

Item 3. Defaults upon Senior Securities

None.

Item 4. Mine Safety Disclosure

Not applicable.

Item 5. Other Information

None

Page 24

---

Index

Item 6. Exhibits.

31.1 Certification by the Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

31.2 Certification by the Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

32 Certification of Principal Executive Officer and Principal Financial Officer pursuant to Section 906 of the Sarbanes Oxley Act of 2002.

101.INSXBRL Instance Document†

101.SCHXBRL Taxonomy Extension Schema Document†

101.CALXBRL Taxonomy Extension Calculation Linkbase Document†

101.LABXBRL Taxonomy Extension Label Linkbase Document†

101.PREXBRL Taxonomy Extension Presentation Linkbase Document†

Footnotes to Exhibit Index

† XBRL information is furnished and not filed for purpose of Sections 11 and 12 of the Securities Act of 1933 and Section 18 of the Securities Exchange Act of 1934, and is not subject to liability under those sections, is not part of any registration statement or prospectus to which it relates and is not incorporated or deemed to be incorporated by reference into any registration statement, prospectus or other document.



Index

Cesca Therapeutics Inc.

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.

Cesca Therapeutics Inc.  
(Registrant)

Dated: June 23, 2015 /s/ Robin C. Stracey  
Robin C. Stracey  
Chief Executive Officer  
(Principal Executive Officer)

Dated: June 23, 2015 /s/ Michael R. Bruch  
Michael R. Bruch  
Chief Financial Officer  
(Principal Financial Officer and Principal Accounting Officer)

Page 26

---