Capstone Therapeutics Corp.
Form S-1
June 26, 2015

As filed with the Securities and Exchange Commission on June 26, 2015

Registration No. _____

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

_____

FORM S-1
REGISTRATION STATEMENT
Under The Securities Act of 1933

_____

CAPSTONE THERAPEUTICS CORP.
(Exact name of registrant as specified in its charter)

_____

DELAWARE	2834	86-0585310
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification No.)

_____

1275 West Washington Street, Suite 104
Tempe, Arizona 85281
(602) 286-5520

(Address, including zip code, and telephone number,
including area code, of registrant's principal executive offices)

_____

John M. Holliman, III, Chairman
and Principal Executive Officer
Capstone Therapeutics Corp.
1275 West Washington Street, Suite 104
Tempe, Arizona 85281
(602) 286-5520

(Name, address, including zip code, and telephone number,
including area code, of agent for service)

_____

Copy to:

Steven P. Emerick
Quarles & Brady LLP
One Renaissance Square, Two North Central Avenue
Phoenix, Arizona 85004

(602) 230-5517

Approximate date of commencement of proposed sale to the public: From time to time after the effective date of this registration statement.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. X

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. _____

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. _____

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. _____

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 "small reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer: Accelerated filer: Non-accelerated filer Smaller reporting company: X

CALCULATION OF REGISTRATION FEE

Title of each class of Securities to be Registered (1)	Proposed Maximum Aggregate Offering Price	Amount of Registration Fee (2)
Units consisting of Common Stock and Warrants (3)	$10,000,000	$1,162.00
Common Stock Issuable Upon Exercise of Warrants in the Units (3)		
Warrants to be issued to Placement Agent (4) (5)	-	-
Common Stock Issuable Upon Exercise of Placement Agent Warrants (3)		
Total		$1,162.00

(1) Any additional shares of common stock to be issued as a result of stock splits, stock dividends, or similar transactions shall be covered by this registration statement as provided in Rule 416.

(2) Calculated pursuant to Rule 457(o) of the Securities Act of 1933, as amended, based upon estimate of proposed maximum offering price.

(3) Pursuant to the Tax Benefit Preservation Plan ("Benefit Plan"), dated as of June 24, 2014, between the Company and Computershare Inc., each share of common stock has an attached right that entitles the registered holder to purchase from the Company one one-hundredth of a share of Series A Preferred Stock, par value $0.0005 per share (the "Preferred Shares"), of the Company at an exercise price of $5.00 per one-hundredth of a Preferred Share, subject to adjustment, on the terms set forth in the Benefit Plan. At June 24, 2015, the rights are not exercisable and trade only with shares of the Company's common stock.

(4) No fee required pursuant to Rule 457 under the Securities Act of 1933, as amended. See "Plan of Distribution".

(5) Estimated pursuant to Rule 457(g) of the Securities Act of 1933, as amended, solely for the purpose of calculating the registration fee.

_____

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration

statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until the registration statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities or the solicitation of an offer to buy these securities in any state in which such offer, solicitation, or sale is not permitted.

PRELIMINARY PROSPECTUS SUBJECT TO COMPLETION DATED JUNE 26, 2015

PROSPECTUS

CAPSTONE THERAPEUTICS CORP.

Units, each consisting of one share of Common Stock and one-half Warrant to purchase one share of Common Stock

We are offering up to Units (the "Units"), each consisting of one share of common stock and one-half of a warrant to purchase one share of common stock. The shares of common stock and warrants will immediately separate after purchase and will be issued separately. The warrants are exercisable for a five-year period at an exercise price of $, which is 150% of the offering price for each Unit. Our common stock currently is quoted on the OTCQB Market under the symbol "CAPS." The last reported sale price of our common stock on the OTCQB Market on June 24 was $.23 per share.

Investing in our securities involves risks. See "Risk Factors" beginning on Page 7 of this prospectus.

	Per Unit	Total
Offering price per Unit		
Placement agent's fees (1)		
Offering proceeds, before expenses, to Capstone		

(1) We have also agreed to issue to Wainwright warrants to purchase up to a number of shares of common stock equal to 5% of the aggregate number of shares included in the units sold in this offering (or 2.5% of the aggregate number of shares included in the units sold to the reduced fee investors in this offering) and to reimburse Wainwright for its out-of-pocket expenses in an amount equal to the greater of 1% of the aggregate gross proceeds raised in this offering or $50,000. See the "Plan of Distribution" section of this prospectus for more information on the placement agent arrangements.

H.C. Wainwright & Co., LLC ("Wainwright") is acting as the exclusive placement agent for this offering. The placement agent will not purchase or sell any Units in this offering, nor will it be required to arrange for the purchase and sale of any specific number or dollar amount of Units, other than to use its "reasonable best efforts" to arrange for the sale of Units by us. We have agreed to pay Wainwright a cash fee equal to 7.25% of the aggregate gross proceeds from this offering, provided that such fee will equal to 4% of the aggregate gross proceeds from sales to certain specified insiders and current stockholders of the company (the "reduced fee investors") in this offering. Wainwright may engage one or more sub-agents or selected dealers in connection with this offering. There is no minimum number of Units required to be purchased in this offering. There is no arrangement to place the funds from this offering in an escrow, trust or similar account, which means these funds will be immediately available for use by us. We currently expect the offering to end not later than , 2015.

We have also agreed to indemnify Wainwright for any claim related to or resulting from the activities on our behalf, except for any claim finally judicially determined to have resulted from the indemnitee's gross negligence or willful misconduct.

Investing in the Units involves a high degree of risk. Before buying any Units, you should carefully read the discussion of material risks of investing in our securities under the heading "Risk Factors and Forward-Looking Statements" beginning on page 7 of this prospectus.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the accuracy or adequacy of the disclosures in this prospectus. Any representation to the contrary is a criminal offense.

We expect to deliver the Units to investors against payment therefor from time to time, commencing on or about , 2015.

H.C. Wainwright & Co.

The date of this prospectus is , 2015.

TABLE OF CONTENTS

ABOUT THIS PROSPECTUS

You should rely only on the information contained in this prospectus. We have not authorized anyone to provide you with different information. No one is making offers to sell or seeking offers to buy these securities in any jurisdiction where the offer, solicitation or sale is not permitted. You should assume that the information contained in this prospectus is accurate as of the date on the front of this prospectus only, regardless of the time of delivery of this prospectus or any sale of our common stock. Our business, financial condition, results of operations and prospects may have changed since that date.

The information in this prospectus may not contain all of the information that may be important to you. You should read the entire prospectus before making an investment decision. To obtain additional information that may be important to you, you should also read the exhibits to the registration statement of which this prospectus is a part and the additional information described below under the heading "Where You Can Find More Information."

When used in this prospectus, the terms "Capstone," OrthoLogic," "we," "our," "us" and the "Company" refer to Capstone Therapeutics Corp. References to our joint venture or "JV" or "LipimetiX" refer to LipimetiX Development, Inc.

The address and telephone number of our principal executive offices are 1275 West Washington Street, Suite 104, Tempe, Arizona 85281; telephone (602) 286-5520.

PROSPECTUS SUMMARY

This summary highlights selected information from this prospectus and does not contain all of the information that you need to consider in making your investment decision. You should carefully read the entire prospectus, including the risks of investing discussed under "Risk Factors and Forward-Looking Statements" beginning on page 7 of this prospectus, and the exhibits to the registration statement of which this prospectus is a part.

We are a biopharmaceutical company primarily focused on the development of a family of Apolipoprotein E ("ApoE") mimetic peptides to serve a variety of therapeutic indications in reducing plasma cholesterol and triglycerides. We embrace the capital-efficient business model of virtual pharmaceutical development pursuant to which we have minimized the number of full-time employees and outsource various aspects of pre-clinical, regulatory and clinical development.

All of our current development activities are conducted through our majority-owned joint venture, LipimetiX Development, Inc., which was formed to develop an Apo E mimetic peptide molecule, AEM-28 ("AEM-28"), and its analogs. We own 60% of the outstanding common shares of the JV and all of the outstanding preferred shares. We have entered into a Stockholders Agreement pursuant to which certain of our JV partners have the right to appoint a majority of the JV's board of directors unless certain triggering events occur, and pursuant to which we have consent rights over a broad spectrum of business decisions including annual budgets. Our JV is managed under contract by Benu BioPharma Inc., which is composed of three individuals who are the principal minority stockholders in our JV. For additional information, see the "Ownership, Management and Governance of our JV" section of this prospectus.

Concurrent with the development activities for AEM-28, the JV has performed limited pre-clinical studies that have identified analogs of AEM-28, including one referred to as AEM-28-02, that have the potential of equivalent efficacy, higher human dose toleration and an extended composition of matter patent life. The JV has a development plan to pursue regulatory approval and commercialization of AEM-28, or one or more of its analogs, as treatment in orphan (rare disease) indications, including acute pancreatitis ("AP") and homozygous familial hypercholesterolemia ("HoFH"), and potentially in acute coronary syndrome, peripheral artery disease and metabolic syndrome. HoFH as been designated by the FDA as an orphan indication. We believe that AP should also qualify for orphan indication designation.

1

Most of the proceeds of this offering will be made available to our JV to fund the continued development of AEM-28 and its analogs and the remainder will be used to fund our continuing operations. If all of the Units offered hereby are sold, we believe that we will have sufficient funds for our JV to complete the preclinical development and possibly Phase 1a and Phase1b/2a clinical trials as well for AEM 28-02, but we cannot predict the total cost of these efforts which depends on, among other things, successful and timely outcomes in our preclinical and clinical studies. In any event, our JV will require substantial additional capital, and/or a development partner, to complete the clinical trials and supporting research and production efforts necessary to obtain FDA or comparable foreign agencies' approval, if any, for our JV's product candidates. We may seek to obtain the necessary additional funding through the issuance of debt and/or equity securities by us or our JV in one or more private or public offerings in the future (which could include bridge financing from certain of our significant existing stockholders), through a strategic partner arrangement or otherwise. In addition, our JV currently is exploring potential sub-licensing of AEM-28 and/or its analogs for development in indications not being actively pursued by the joint venture.

Apolipoprotein E (Apo E)

Apo E is in a class of protein, called an apolipoprotein, that occurs throughout the body. Apo E is essential for the normal metabolism of cholesterol and triglycerides. After a meal, especially high fat meals, like pizza with beer, the postprandial (or post-meal) lipid load is packaged in lipoproteins and secreted into the blood stream. The apolipoproteins, including Apo E, function to help transport the lipids and cholesterol to various organs in the body and assist in the conversion of these lipids to various fats, sugars and cholesterol that serve as key component of all cell membranes and as the basis of all steroid hormones. Specific receptors on the liver help clear the excess cholesterol and lipid rich lipoproteins from the blood. A certain amount of cholesterol content is essential for human life, but too much lipid content decreases the liver's ability to clear lipoproteins, which can lead to atherosclerosis, the buildup of cholesterol rich lesions and plaques in the arteries. Atherosclerosis is the major cause of cardiovascular disease, peripheral artery disease and cerebral artery disease, and can cause heart attack, loss of limbs and stroke. Defective lipid metabolism plays an important role in the development of adult onset diabetes mellitus (Type 2 diabetes), and diabetics are particularly vulnerable to atherosclerosis, heart and peripheral artery diseases. Apo E is naturally occurring and is a public domain molecule that has been extensively researched since the 1980's. The importance of Apo E as a key mediator of lipid and cholesterol metabolism is illustrated by the fact that the liver has a specific class of receptors that bind only Apo E. More recent research has demonstrated that Apo E has unique protective effects on the artery wall. One of the leading lipid/atherosclerosis laboratories in the U.S. is at the University of Alabama at Birmingham ("UAB"). In 2010, our JV's founding scientist, Dr. Dennis Goldberg, licensed a group of Apo E molecules for commercial development from UAB. Specifically, these molecules are classed as Apo E mimetic peptides. The UAB scientists engineered the 299 amino acid native Apo E into a smaller 28 amino acid molecule that can be delivered therapeutically. Our lead peptide, AEM-28, contains an amino acid sequence that anchors into a lipoprotein surface while also providing the human binding domain to the Apo E receptor in the liver. In effect, AEM-28 acts like a docking system, attaching itself to lipids in the blood stream while its other binding domain seeks heparan sulfate proteoglycan (Apo E) receptors in the liver. The liver then processes these excess lipids and excretes them from the body. This sequence is part of a process called "reverse cholesterol transport" and is the body's natural mechanism for reducing cardiovascular risk.

Description of Current Peptide Product Candidates

In December 2014, we announced the completion and results of the investigational Phase 1b/2a human clinical trial for AEM-28 in cholesterol and triglyceride reduction. The top-line data from the Phase 1a (reported on September 2, 2014) and Phase 1b/2a blended protocol was statistically analyzed. The Medical Safety Committee, in reviewing safety-related aspects of the clinical trial, observed a generally acceptable safety profile. Analysis of biomarker data from the human studies showed what we believe is a statistically significant reduction of Very Low Density Lipiprotein ("VLDL") cholesterol and triglycerides of approximately 70% each in fasted patients at one hour post-treatment. In particular, efficacy measurements analyzing pharmacodynamics yielded statistical significance in

the pooled dataset favoring AEM-28 versus placebo in multiple lipid biomarker endpoints, which included:

- $p < 0.05$ favoring AEM-28 vs. placebo within the first 12 hours post infusion at the highest dose tested of 3.54mg/kg in VLDL, equating to a maximum 76% drop in VLDL vs. baseline and a 56% net maximum reduction of VLDL vs. placebo;
- $p < 0.05$ favoring AEM-28 vs. placebo within the first 12 hours post infusion at the 2 mg/kg dose in VLDL, equating to a maximum 70% drop in VLDL vs. baseline and a 41% net maximum reduction of VLDL vs. placebo;

- $p < 0.025$ favoring AEM-28 vs. placebo within the first 12 hours post infusion at the highest dose tested of 3.54 mg/kg in triglycerides, equating to a maximum 74% drop in triglycerides vs. baseline and a 55% average net maximum reduction of triglycerides vs. placebo; and
- $p < 0.025$ favoring AEM-28 vs. placebo within the first 12 hours post infusion at the 2 mg/kg dose in triglycerides, equating to a 71% drop in triglycerides vs. baseline and a 45% net maximum reduction of triglycerides vs. placebo.

VLDL and Triglycerides. The combination of Low Density Lipoprotein ("LDL") and VLDL cholesterol are termed Non- High Density Lipoprotein ("Non-HDL") cholesterol. These Non-HDL lipoproteins are a combination of proteins and lipids which allow fat and cholesterol to move around the body so they may be taken up by target cells. Triglycerides ("TGs") are found in VLDL and chylomicron remnants in blood plasma. TGs play an important role in metabolism as energy sources while VLDL and chylomicron remnants serve as transporters of dietary fat. When the amount of VLDL and TGs is properly regulated by the body's natural systems, the vascular and metabolic systems are in sync and functioning well. However, problems develop when these lipoproteins and lipids get out of balance, often leading to severe cardiovascular and endocrinal diseases. When in overabundance in blood plasma, these large, buoyant molecules are a primary contributor to atherosclerosis, or arterial plaque, which can unpredictably create an arterial occlusion and cause a heart attack.

Acute Pancreatitis with High Triglycerides. In 2015, we retained a consultancy to conduct a market assessment study for AEM-28 in acute pancreatitis ("AP") with high triglycerides. The consultancy's report concluded that the AP indication represents a significant unmet clinical need for a therapeutic that could rapidly reduce TGs. The schedule that follows below discusses the epidemiology and etiology of AP. There are an estimated 74,000 hospitalizations for all types of AP in the U.S. each year with approximately 45,000 presenting with severe levels of TG equal to or greater than 1,000 mg/dL. This patient population is possibly an ideal fit for AEM-28 as a therapeutic agent.

ETIOLOGY / EPIDEMIOLOGY	% (1)		U.S. Patients	Severe TGs ≥ 1,000 mg/dL
Gallbladder/Stones	25	%	18,500	No
Alcohol	50	%	37,000	Yes
Genetic/Familial	7	%	5,698	Yes
Other/Idiopathic (Diabetes/Obesity/Pregnancy)	18	%	13,320	Yes
TOTAL HOSPITALIZATIONS	100	%	74,000	45,000 (2)

(1) JOP.J. Pancreas, 11/9/2011, "Controversies in Etiology of Acute Pancreatitis, A. Khan et al.
(2) Fletcher Spaght, 3/17/2015, "Market Assessment for Acute Pancreatitis", M. Hoult et al.

Whereas we anticipate that AP with high TGs will qualify as an orphan indication (since the patient population is below 200,000 in the U.S.), we believe that it is nonetheless a sizable orphan market. Clinicians often treat these patients with fibrates or fish oil to reduce TGs, but fibrates and fish oil take weeks if not longer to have an effect in reducing TGs. A drug that rapidly reduces TGs could diminish the severity of AP (especially if administered at early onset) and could offer a significant economic savings to the healthcare system from faster discharge. If clinical trials are successful and regulatory approval is granted, we believe that AEM-28 could potentially be added to the AP treatment protocol in the emergency room for patients with elevated TGs.

Based on our consultant's report, we also believe that a market of 110,000 refractory hypertriglyceridemics exists in the U.S. These patients are at high risk for AP and other TG-related indications and could be candidates for a weekly infusion of a TG-reducing therapeutic such as AEM-28. We believe that this chronic market, at a projected 5.7 million doses annually, represents another significant market opportunity, albeit requiring successful clinical outcomes studies.

3

Given the above, we plan to prioritize AP with high TGs as our JV's indication of choice for AEM-28 (and analogs) commercialization. Because AEM-28 has previously received orphan drug designation (see below), we believe that the new analogs will also be so designated by the FDA for AP. As a result, the clinical/regulatory pathway for AP should require less expensive clinical trials according to orphan regulatory precedent.

Homozygous Familial Hypercholesterolemia (HoFH). In 2012, AEM-28 received orphan designation from FDA for a rare disease indication, called homozygous familial hypercholesterolemia ("HoFH"). This is a very small global population of individuals who are born with no LDL receptors in the liver and are unable to clear LDL (the "bad" cholesterol) through a natural pathway. Historically, these patients have experienced cardiovascular complications in their teens and twenties often leading to early death. Standard of care therapy was a process called apheresis, which is a mechanical filtering of the lipid fat from the patient's entire blood volume, akin to the kidney dialysis process. In 2013, two pharmaceutical therapies were approved in the U.S., Aegerion's Juxtapid and Sanofi-Genzyme's Kynamro. Juxtapid has proven the market with an impressive revenue ramp while revenue data for Kynamro is not publicly available. We believe that AEM-28, or the new analogs, if approved, could compete favorably with these other drugs due to potentially equivalent efficacy and fewer and less severe side effects.

AEM-28-02 and Analogs

Although AEM-28 is well researched by scientists at our academic research partner, The University of Alabama at Birmingham Research Foundation ("UABRF"), it has a relatively short remaining patent life (to 2020). If AEM-28 were approved by the FDA as an orphan drug in the U.S., it would have seven years of marketing exclusivity after registration. Accordingly, AEM-28 remains a potentially valuable commercial asset, but only in orphan indications.

Collaboration with UABRF under an exclusive license agreement (see "Patents, Licenses and Proprietary Rights", below) has resulted in the discovery of new Apo E mimetic peptides. Recently, our joint venture has been testing an analog of AEM-28, which we refer to as AEM-28-02. Early preclinical testing has yielded encouraging results suggesting that AEM-28-02 may be more tolerable and more efficacious than AEM-28. In July 2014, our joint venture filed a patent application for AEM-28-02 seeking 21 years of composition of matter patent protection.

AEM-28-02 and the other analogs are significant in that their potential 21-year patent life could allow our joint venture and/or its potential future strategic partners to develop AEM-28-02 for "clinical outcomes" indications that typically require very large, lengthy clinical trials. These markets include acute coronary syndrome, peripheral artery disease and metabolic syndrome, each of which currently represents a multi-billion dollar annual market for drug therapies. Now, with AEM-28-02, we believe that our JV has a product candidate that not only may serve sizable orphan markets, but also may serve much larger markets for chronic indications.

The JV filed for additional patent protection in October 2014 for a new and proprietary formulation to increase safe delivery of AEM-28, AEM-28-02 and analogs to humans.In the Australia clinical trials, at the highest tested dose of 3.54 mg/kg, some cases of mild venous irritation and infusion site reaction were observed. The JV has tested the new formulation with AEM-28-02 in multiple animal models, resulting in an approximate 6X increase in maximum tolerated dose (MTD) and what appears to be an improved tolerability profile. AEM-28-02 (or analogs) combined with the new formulation may allow safe delivery at higher doses than those previously tested in humans.

Business Matters

Legal. In June 2015, we settled our long-pending qui tam lawsuit for a one-time payment of $50,000. The lawsuit had been filed under seal in March 2005 in the U.S. District Court for the District of Massachusetts against us and substantially all other companies that sold bone growth stimulation devices during the period 1998-2003. The complaint asserted a variety of claims, including False Claims Act violations. We sold our bone growth stimulation device business in 2003 and first learned of this lawsuit in September 2009.

Net Operating Loss. We have accumulated approximately $146 million in federal and $33 million in state net operating loss carry forwards as of December 31, 2014, which are presently eligible to offset some future tax liability. At the maximum U.S. corporate tax rate, the potential tax benefit could be as high as $51 million, or $1.25 per share (based on 40,885,411 shares outstanding at June 24, 2015), provided we generate income in sufficient amounts prior to the expiration of these carry forwards, which expire beginning in 2023 for federal and 2015 for state net operating loss carry forwards. We view our net operating losses and other tax attributes (collectively, “Tax Benefits”) as potentially valuable assets. However, if we experience an “ownership change,” as defined in Section 382 of the Internal Revenue Code (the “Code”), whether as a result of this offering or otherwise, our ability to use the Tax Benefits could be severely limited, and the timing of the usage of the Tax Benefits could be substantially delayed, which could significantly impair the value of the Tax Benefits even if we subsequently generate taxable income. In June 2014, our Board adopted a Tax Benefit Preservation Plan intended to act as a deterrent to any person effecting certain transactions that would constitute such an “ownership change” without the approval of our Board. See, "Description of Our Capital Stock" below, for a description of the Tax Benefit Preservation Plan.

The Offering

Issuer	Capstone Therapeutics Corp.
Securities offered	Up to Units. Each Unit will consist of one share of common stock and one-half of a warrant to purchase one share of common stock. The shares of common stock and warrants will immediately separate after purchase and will be issued separately.
Offering price	We will offer and sell the Units at a price of $ per Unit which will be fixed for the duration of the offering.
Description of the warrants	The warrants are exercisable for a five-year period at an exercise price of $, which is 150% of the offering price for each Unit.
Common stock outstanding before this offering	The number of shares of our common stock outstanding immediately before this offering is 40,885,411, excluding the following: • Options to purchase 4,062,706 shares of our common stock, the exercise price of which range from $0.16 per share to $5.39 per share as follows: - Options to purchase 1,245,000 shares at exercise prices of $.16 to $.22 per share - Options to purchase 598,000 shares at exercise prices of $.24 to $.45 per share - Options to purchase 620,000 shares at an exercise price of $.25 per share - Options to purchase 504,000 shares at exercise prices of $.58 to $.82 per share - Options to purchase 914,706 shares at exercise prices of $1.02 to $1.75 per share - Options to purchase 181,000 shares at exercise prices of $4.90 to $5.39 per share • Warrants outstanding to purchase 46,706 shares of our common stock with an exercise price of $6.39 per share, and warrants outstanding to purchase 117,423 shares of our common stock with an exercise price of $1.91 per share.
Common stock to be outstanding after this offering	Assuming the purchase of all of the Units offered in this prospectus, the number of shares of our common stock outstanding immediately after this offering will be (if one-half of the number of Units offered in this prospectus are purchased). The amounts above do not include: • Shares of common stock issuable upon exercise of the warrants included in the Units (shares if all of the Units offered in this prospectus are purchased, and shares if one-half of the Units offered in this prospectus are purchased). • Shares of common stock issuable upon exercise of the warrants issued to H.C. Wainwright in conjunction with this sale of securities (shares if all of the Units offered in this prospectus are purchased, and shares if one-half of the Units offered in this prospectus are purchased) • 4,226,835 shares of common stock issuable upon the exercise of the outstanding stock options and warrants described above. In addition, we have reserved 1,000,000 shares of our common stock for issuance pursuant to our 2015 Equity Incentive Plan, for which options to purchase 620,000 shares are outstanding as of June 24, 2015. As of June 24, 2015, we have 3,442,706 shares of our common stock reserved for issuance under our 2005 Equity Incentive Plan, which expired in April 2015.

Use of proceeds	Assuming the sale of all of the Units offered in this prospectus, we will receive net proceeds, after deducting the cash fee payable to the placement agent equal to 7.25% of aggregate gross proceeds (and assuming that no investors in this offering are Reduced Fee Investors, for which a reduced placement agent fee of 4% is applicable), and estimated expenses of the offering of $, as follows: • $ from the sale of the Units; and • Up to $ from the future exercise of warrants included in the Units. This is a best efforts offering and we may sell all, some or none of the Units offered. We intend to use the net proceeds of this offering for research and development activities, principally through our JV, to which we will transfer the funds on terms to be negotiated , and for our working capital and general corporate purposes. See "Use of Proceeds" for additional information.
Risk factors	You should read the "Risk Factors" section of, and all of the other information set forth in, or incorporated by reference in, this prospectus to consider carefully before deciding whether to invest in the Units offered by this prospectus.
OTCQB Market symbol	CAPS

RISK FACTORS AND FORWARD LOOKING STATEMENTS

Safe Harbor

We may from time to time make written or oral forward-looking statements, including statements contained in our filings with the SEC and our reports to stockholders. The safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995 protects companies from liability for their forward looking statements if they comply with the requirements of that Act. This prospectus contains forward-looking statements made pursuant to that safe harbor. These forward-looking statements relate to future events or to our future financial performance, and involve known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance, or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements. In some cases, you can identify forward-looking statements by the use of words such as “may,” “could,” “expect,” “intend,” “plan,” “seek,” “anticipate “believe,” “estimate,” “predict,” “potential,” “continue,” or the negative of these terms or other comparable terminology. You should not place undue reliance on forward-looking statements since they involve known and unknown risks, uncertainties and other factors which are, in some cases, beyond our control and which could materially affect actual results, levels of activity, performance or achievements. Factors that may cause actual results to differ materially from current expectations, which we describe in more detail below include, but are not limited to:

- the impact of our actions to preserve cash, including implementation of a virtual operating model;
- unfavorable results of product candidate development efforts, including through our joint venture;
- unfavorable results of pre-clinical or clinical testing, including through our joint venture;
- delays in obtaining, or failure to obtain FDA or comparable foreign agency approvals;
- increased regulation by the FDA or comparable foreign agencies;

(1) Based on a stock price of $1.40 per share at December 31, 2003. The exercise price of all options held by executive officers on December 31, 2003 is $1.16

(2) Represents options to purchase Common Stock.

Long-Term Incentive Plans

At this time, the Company has no long-term incentive plans.

ITEM 2.

RATIFICATION OF APPOINTMENT OF INDEPENDENT PUBLIC ACCOUNTANTS

Deloitte & Touche has been selected by the Company as its principal independent public accountants for the Company s fiscal year ending December 31, 2004, and served in such capacity for the Company s fiscal year ended December 31, 2003. The Board recommends that the stockholders vote FOR the ratification of the appointment by the Board of Directors of Deloitte & Touche to serve as the Company s principal independent auditors for the fiscal year ending December 31, 2004. Unless otherwise indicated, all properly executed proxies received by the persons named in the enclosed proxy will be voted for such ratification at the Meeting.

Representatives of Deloitte & Touche are expected to be present at the Meeting with the opportunity to make a statement if they desire to do so, and such representatives are expected to be available to respond to appropriate questions. If the stockholders do not ratify the selection of this firm, the Board of Directors will consider the selection of another firm of independent certified public accountants in the following year.

STOCKHOLDERS PROPOSALS FOR NEXT ANNUAL MEETING

Any proposals of holders of Common Stock intended to be presented at the annual meeting of stockholders of the Company to be held in 2005 must be received by the Company at its principal executive offices, 4600 Post Oak Place, Suite 309, Houston, Texas 77027, no later than December 29, 2004, in order to be included in the proxy statement and form of proxy relating to that meeting. If the date of the 2005 annual meeting of stockholders is changed by more than 30 days from the date of the 2004 annual meeting of stockholders, the deadline for submitting proposals is a reasonable time before the Company begins to print and mail its proxy materials for its 2004 annual meeting of stockholders.

The persons named in the Company s form of proxy for the 2005 annual meeting of stockholders will have discretionary authority to vote any proxies they hold at such meeting on any matter for which the Company does not receive timely notice by March 14, 2005, unless the Company changes the date of its 2005 annual meeting of stockholders by more than 30 days from the date of the 2004 annual meeting of stockholders, in which case the Company will be able to exercise discretionary authority if notice of the matter has not been received in a reasonable time before the Company mails its proxy materials for the 2005 annual meeting of stockholders.

If the date of the 2005 annual meeting of stockholders is advanced or delayed by more than 30 calendar days from the date of the 2004 annual meeting of stockholders, the Company shall, in a timely manner, inform stockholders of such change, by including a notice under Item 5 in its earliest possible quarterly report on Form 10-QSB. The notice will include the new deadline for submitting proposals to be included in the Company s proxy statement and the new date for determining whether the Company may exercise discretionary voting authority because it has not received timely notice of a matter.

In order to avoid controversy as to the date on which the Company receives any such proposal, it is suggested that stockholders submit their proposals by certified mail, return receipt requested.

OTHER MATTERS

The management of the Company knows of no other matters that may come before the Meeting. However, if any matters other than those referred to above should properly come before the Meeting, it is the intention of the persons named in the enclosed proxy to vote such proxy in accordance with their best judgment.

The Company will pay all costs incurred in the solicitation of proxies. In addition to solicitation by use of the mails, certain officers or employees of the Company may solicit the return of proxies by telephone, telegram or personal interview. Arrangements may be made with brokerage firms or other custodians, nominees and fiduciaries to send proxy materials to the beneficial owners of the voting securities of the Company.

FINANCIAL STATEMENTS

The Company will provide without charge to any stockholder as of the Record Date a copy of the Company s Annual Report on Form 10-KSB for the fiscal year ended December 31, 2003, upon written or oral request to the Investor Relations Department, VAALCO Energy, Inc., 4600 Post Oak Place, Suite 309, Houston, Texas 77027, telephone (713) 628-0801, or it may be downloaded from the Company s internet website at www.vaalco.com.

By Order of the Board of Directors,

Gayla M. Cutrer

Secretary

April 21, 2004

VAALCO Energy, Inc.

Charter of the Audit Committee of the Board of Directors

I. Audit Committee Purpose

The Audit Committee (the Committee of VAALCO Energy, Inc. (the Company) is a committee of the Board of Directors. The Committee shall consist of at least three directors, who shall meet the independence and experience requirements of the rules and regulations of the Securities and Exchange Commission (the Commission). The Committee s function is to assist the Board in fulfilling its oversight responsibilities relating to the Company s corporate accounting and financial reporting practices. In fulfilling this function, the Committee s primary duties and responsibilities are to:

Serve as an independent and objective party to oversee the integrity of the Company s financial statements and to monitor the Company s financial reporting process and systems of internal controls regarding financial, accounting, and legal compliance.

Monitor the independence and performance of the Company s independent auditors and internal auditing functions.

Provide an avenue of communication between the Board of Director, the independent auditors and management.

Report actions of the Committee to the Board of Directors with such recommendations as the Committee may deem appropriate.

The Committee shall be empowered to conduct or cause to be conducted any investigation appropriate to fulfilling its responsibilities, and shall have direct access to the independent auditors, and Company employees as necessary. The Committee shall be empowered to retain, at the Company s expense, special legal, accounting, or other consultants or experts as the Committee deems necessary in the performance of its duties.

II. Audit Committee Composition and Meetings

Committee members shall meet the requirements, as may be amended from time to time of the Committee. Committee members, including the Audit Committee Chair, shall be appointed by the Board of Directors.

The Committee shall meet at least quarterly, or more frequently as circumstances dictate. The Audit Committee Chair shall prepare and/or approve an agenda in advance of each meeting. If the Audit Committee Chair is not present, the member of the Committee membership. The Committee membership. The Committee may meet in executive session, and shall do so at least annually. The Committee may meet privately with management, the independent auditors, and as a committee to discuss any matters that the Committee or each of these groups believe should be discussed privately.

III. Audit Committee Responsibilities and Duties

Proxy Report

1. Prepare the Audit Committee Report required by the rules of the Commission to be included in the Company s annual proxy statement.

Review Procedures

1. Review with management and the independent auditor the Company s year-end financial results prior to the release of earnings and the Company s year-end financial statements prior to filing or distribution. Such review shall also include the Company s disclosures under Management s

Discussion and Analysis of Financial Condition and Results of Operation. Discuss with management and the independent auditors any significant issues or finding or any changes to the Company s accounting principles and any items required to be communicated by the independent auditors in accordance with Statement on Auditing Standards No. 61, as amended. Recommended to the Board of Directors whether or not the audited financial statements should be included in the Company s Annual Report on Form 10-K for the last fiscal year.

2. Review with management and the independent auditors (i) the Company s quarterly financial results prior to the release of earnings and the Company s quarterly financial statements prior to filing or distribution and (ii) the operation of the Company s internal controls and any special steps adopted in light of material control deficiencies. Discuss with management and the independent auditors any significant findings or any changes to the Company s accounting principles and any items required to be communicated by the independent auditors in accordance with Statement on Auditing Standards No. 61 as amended.

3. In consultation with the management and the independent auditors, consider the intergrity of the Company s financial reporting processes and controls including computerized information system controls and security. Discuss significant financial risk exposures and the steps management has taken to monitor, control, and report such exposures, Review significant findings prepared by the independent auditors together with management s responses, including the status of previous recommendations.

4. Review and discuss earning, financial guidance and other press releases of a material financial nature.

5. Although it is the job of the CEO and senior management to assess and manage the Company s exposure to risks, the Audit Committee shall discuss guidelines and policies to govern the process by which risk assessment and risk management is addressed.

6. Review with the independent auditor any audit problems or difficulties and management s response and resolve disagreements between auditors and management.

7. Approve the hiring of any employee or former employee of the independent auditor.

8. The Audit Committee shall regularly report to the full board on its activities including any issues with respect to the quality or the integrity of the Company s financial statement, legal compliance or the performance of the independent auditor.

9. Review and periodically recommend modification to the code of ethics for senior financial officers.

10. Review disclosures made to the Audit Committee by the Company s CEO and CO during the certification process for the Form 10-K and 10-Q concerning significant deficiencies or material weaknesses in internal controls and any fraud.

Independent Auditors

11. Confirm with the independent auditors their ultimate accountability to the Audit Committee and the Board of Directors. Review the performance of the auditors and annually recommend to the Board of Directors the appointment of the independent auditors or approve any discharge of auditors when circumstances warrant.

12. Retain and terminate the independent auditor and approve the compensation and terms of the audit engagement and other significant compensation to be paid to the independent auditors. Periodically discuss current year non-audit services performed by the independent auditors and review and pre-approve all permitted non-audit service engagement.

A-2

13. Oversee the independence of the independent auditors by, among other things, (1) on an annual basis, receiving from the independent auditors a formal written statement delineating all relationships between the independent auditors and the Company, consistent with Independence Standards Board Standard No. 1, that could impair the auditor s independence; (2) actively engaging in a dialogue with the independent auditors with respect to any disclosed relationships or services that may impact the objectivity and independence of the accountants; and (3) recommending to the Board of Directors the appropriate action to be taken in response to the independent auditors report to satisfy itself of the independent auditors independence.

x PLEASE MARK VOTES

AS IN THIS EXAMPLE

REVOCABLE PROXY

VAALCO Energy, Inc.

ANNUAL MEETING OF STOCKHOLDERS

JUNE 10, 2004

This Proxy is solicited by the Board of Director of VAALCO Energy, Inc. (the Company) for the Annual Meeting of Stockholder on June 10, 2004.

The undersigned hereby constitutes and appoints Robert L. Gerry, III and W. Russell Scheirman, or either of them, with full power of substitution and revocation to each, the and lawful attorneys and proxies of the undersigned at the Annual Meeting of Stockholders of VAALCO Energy, Inc. to be held on June 10, 2004, at 10:00 a.m., Houston time, at the headquarters of the Company at 4600 Post Oak Place, Suite 309, Houston, Texas 77027 or any adjournment thereof (the Annual Meeting) and to vote the shares of Common Stock of the Company, $.10 par value per share (Shares) standing in the name of the undersigned on the books of the Company on the record date for the Annual Meeting, with all powers the undersigned would possess if personally present at the Annual Meeting:

	For	Withhold	For all Except
1. PROPOSAL TO ELECT AS DIRECTORS of the Company nominee for the Class III position for a three-year term. Director will hold office for the stated term or until his successor is elected and shall qualify. Nominee: Class III: Robert L. Gerry, III. In addition to the nominee listed herein, the holders of Preferred Stock, Series A, will be voting as a class for the election of one Class III director. This will result in a total of two directors being elected to the Board of Directors.	¨	¨	¨

INSTRUCTION: To withhold authority to vote for any individual nominee, mark For All Except and write that nominee s name in the space provided below.

	For	Against	Abstain
2. PROPOSAL TO RATIFY THE APPOINTMENT OF DELOITTE & TOUCHE as the Independent auditors of the Company for the fiscal year ending December 31, 2004.	¨	¨	¨

3. In their discretion, the proxies are authorized to vote upon such other matter as may properly come before the Annual Meeting.

The Board of Directors recommends a vote FOR the election of the nominees and FOR the foregoing proposals and if no specification is made, the Shares will be voted for said nominees and proposals.

Please be sure to sign and date this Proxy in the box below. Date

The undersigned hereby acknowledges previous receipt of the Notice of Annual Meeting of Stockholders and the Proxy Statement and hereby revokes any proxy or proxies heretofore given by the undersigned.

Stockholder sign above

Co-holder (if any) sign above

Signature should agree with name printed herein. Shares are held in name of more than one person EACH joint owner should sign. Executors, administrators, trustees, guardians and attorneys should indicate the capacity in which they sign. Attorneys should submit powers of attorney.

é Detach above card, sign, date and mail in postage paid envelope provided. é

VAALCO Energy, Inc.

4600 Post Oak Place, Suite 309, Houston, Texas 77027

PLEASE MARK, SIGN, DATE AND RETURN THE PROXY CARD PROMPTLY

IN THE STAMPED PRE-ADDRESSED ENVELOPE ENCLOSED.

IF YOUR ADDRESS HAS CHANGED, PLEASE CORRECT THE ADDRESS IN THE SPACE PROVIDED BELOW AND RETURN THIS PORTION WITH THE PROXY IN THE ENVELOPE PROVIDED.