

Cardium Therapeutics, Inc.
Form 10-Q
May 15, 2012
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2012

or

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

Commission file number: 001-33635

CARDIUM THERAPEUTICS, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State of incorporation)

27-0075787
(IRS Employer Identification No.)

12255 El Camino Real, Suite 250

San Diego, California 92130
(Address of principal executive offices)

(858) 436-1000
(Registrant's telephone number)

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

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act.):

Yes No

As of May 14, 2012, the registrant had 119,617,356 shares of common stock outstanding.

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SPECIAL NOTE ABOUT FORWARD-LOOKING STATEMENTS

Certain statements in this report, including information incorporated by reference, are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, Section 21E of the Securities Exchange Act of 1934, and the Private Securities Litigation Reform Act of 1995. Forward-looking statements reflect current views about future events and financial performance based on certain assumptions. They include opinions, forecasts, intentions, plans, goals, projections, guidance, expectations, beliefs or other statements that are not statements of historical fact. Words such as may, will, should, could, would, expects, plans, believes, anticipates, intends, estimates, ap projects, or the negative or other variation of such words, and similar expressions may identify a statement as a forward-looking statement. Any statements that refer to projections of our future financial performance, our anticipated growth and trends in our business, our goals, strategies, focus and plans, and other characterizations of future events or circumstances, including statements expressing general optimism about future operating results and the development of our products, are forward-looking statements. Forward-looking statements in this report may include statements about:

our ability to fund operations and business plans, and the timing of any funding or corporate development transactions we may pursue;

planned development pathways and potential commercialization activities or opportunities;

the timing, conduct and outcome of discussions with regulatory agencies, regulatory submissions and clinical trials, including the timing for completion of clinical studies;

our beliefs and opinions about the safety and efficacy of our products and product candidates and the anticipated results of our clinical studies and trials;

our ability to enter into acceptable relationships with one or more contract manufacturers or other service providers on which may depend, and the ability of such contract manufacturers or other service providers to manufacture biologics, devices, nutraceuticals or other key products or components, or to provide other services, of an acceptable quality on a timely and cost-effective basis;

our ability to enter into acceptable relationships with one or more development or commercialization partners to advance the commercialization of new products and product candidates and the timing of any product launches;

our growth, expansion and acquisition strategies, the success of such strategies, and the benefits we believe can be derived from such strategies;

our ability to pursue and effectively develop new product opportunities and acquisitions and to obtain value from such product opportunities and acquisitions;

our ability to maintain the listing of our common stock on a national exchange;

our intellectual property rights and those of others, including actual or potential competitors;

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the outcome of litigation matters;

our personnel, consultants and collaborators;

expectations concerning our operations outside the United States;

current and future economic and political conditions;

overall industry and market performance;

the impact of accounting pronouncements;

management's goals and plans for future operations; and

other assumptions described in this report underlying or relating to any forward-looking statements.

The forward-looking statements in this report speak only as of the date of this report and caution should be taken not to place undue reliance on any such forward-looking statements. Forward-looking statements are subject to certain events, risks, and uncertainties that may be outside of our control. When considering forward-looking statements, you should carefully review the risks, uncertainties and other cautionary statements in this report as they identify certain important factors that could cause actual results to differ materially from those expressed in or implied by the forward-looking statements. These factors include, among others, the risks described under Item 1A and elsewhere in this report, as well as in other reports and documents we file with the United States Securities and Exchange Commission (SEC).

Unless the context requires otherwise, all references in this report to the Company, Cardium, we, our, and us refer to Cardium Therapeutics, and, as applicable, Post-Hypothermia Corporation (formerly, InnerCool Therapies, Inc.), Tissue Repair Company and MedPodium Health Sciences, Inc., each a wholly-owned subsidiary of Cardium.

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Table of Contents**PART I FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS****CARDIUM THERAPEUTICS, INC. AND SUBSIDIARIES****(a development stage company)****CONDENSED CONSOLIDATED BALANCE SHEETS**

	March 31, 2012 (Unaudited)	December 31, 2011
Assets		
Current assets:		
Cash and cash equivalents	\$ 9,070,522	\$ 4,721,279
Restricted cash	50,000	150,000
Accounts receivable	17,546	0
Inventory	521,657	434,130
Prepaid expenses and other assets	111,266	68,204
Total current assets	9,770,991	5,373,613
Restricted cash	0	50,000
Property and equipment, net	111,701	135,581
Investment	435,000	435,000
Technology license fees, net	1,299,125	1,332,727
Other long term assets	176,308	176,308
Total assets	\$ 11,793,125	\$ 7,503,229
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 1,189,467	\$ 749,586
Accrued liabilities	500,932	464,894
Derivative liabilities - fair value of warrants	0	85,506
Total current liabilities	1,690,399	1,299,986
Deferred rent	105,353	118,313
Total liabilities	1,795,752	1,418,299
Commitments and contingencies		
Stockholders' equity:		
Common stock, \$0.0001 par value; 200,000,000 shares authorized; issued and outstanding 119,617,356 at March 31, 2012 and 96,565,834 at December 31, 2011	11,962	8,610
Additional paid-in capital	100,670,462	94,167,335
Deficit accumulated during development stage	(90,685,051)	(88,091,015)
Total stockholders' equity	9,997,373	6,084,930
Total liabilities and stockholders' equity	\$ 11,793,125	\$ 7,503,299

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See accompanying notes, which are an integral part of these condensed consolidated financial statements.

Table of Contents**CARDIUM THERAPEUTICS, INC. AND SUBSIDIARIES****(a development stage company)****Condensed Consolidated Statements of Operations****(Unaudited)**

	Three Months Ended March 31,		Period from December 22, 2003 (Inception) to March 31, 2012
	2012	2011	
Revenues			
Product sales	\$ 20,478	\$ 0	\$ 20,478
Grant revenues	0	0	1,623,160
Total revenues	20,478	0	1,643,638
Cost of goods sold	5,455	0	5,455
Gross profit	15,023	0	1,638,183
Operating expenses			
Research and development	1,164,599	491,574	42,550,006
Selling, general and administrative	1,509,761	1,287,885	38,946,373
Total operating expenses	2,674,360	1,779,459	81,496,379
Loss from operations	(2,659,337)	(1,779,459)	(79,858,196)
Change in fair value of derivative liabilities	64,157	88,170	10,395,709
Gain on warrant exchange	0	0	473,872
Interest income	2,539	5,262	1,579,582
Interest expense	(1,395)	(2,613)	(7,123,401)
Net loss from continuing operations	\$ (2,594,036)	\$ (1,688,640)	\$ (74,532,434)
Net loss from discontinued operations	0	0	(22,561,220)
Gain on sale of business unit	0	0	6,408,603
Net loss	\$ (2,594,036)	\$ (1,688,640)	\$ (90,685,051)
Basic and diluted net loss per share	\$ (0.02)	\$ (0.02)	
Weighted average common shares outstanding	109,279,152	83,097,967	

See accompanying notes, which are an integral part of these condensed consolidated financial statements.

Table of Contents**CARDIUM THERAPEUTICS, INC. AND SUBSIDIARIES****(a development stage company)****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS****(Unaudited)**

	For The Three Months Ended March 31,		December 22, 2003 (Inception) To March 31, 2012
	2012	2011	
Cash Flows From Operating Activities			
Net loss	\$ (2,594,036)	\$ (1,688,640)	\$ (90,685,051)
Adjustments to reconcile net loss to net cash used in operating activities:			
Gain on sale of discontinued operation	0	0	(6,408,603)
Gain on sale of warrants	0	0	(518,622)
Loss on abandonment of leaseholds	0	0	135,344
Depreciation	23,880	26,635	2,027,185
Amortization intangibles	0	0	2,696,193
Amortization debt discount	0	0	5,291,019
Amortization deferred financing costs	0	0	925,859
Amortization technology and product license fee	33,602	22,727	135,875
Provision for obsolete inventory	0	0	200,000
Change in fair value of warrants	(64,157)	(88,170)	(10,395,709)
Common stock and warrants issued for services and reimbursement of expenses	0	0	203,882
Stock based compensation expense	43,239	22,519	7,471,314
In-process purchased technology	0	0	2,027,529
Changes in operating assets and liabilities			
Accounts receivable	(17,546)	0	61,442
Inventories	(87,527)	0	(2,327,816)
Prepaid expenses and other assets	(43,062)	(10,732)	(223,856)
Deposits	0	0	