

Taxus Cardium Pharmaceuticals Group Inc.

Form 10-Q

May 15, 2014

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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, 2014

or

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

Commission file number: 001-33635

TAXUS CARDIUM PHARMACEUTICALS GROUP INC.

(Exact name of registrant as specified in its charter)

Delaware
(State of incorporation)

27-0075787
(IRS Employer

Identification No.)

11750 Sorrento Valley Rd, Suite 250

San Diego, California 92121
(Address of principal executive offices)

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

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, 2014, the registrant had 11,982,988 shares of common stock outstanding.

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EXPLANATORY NOTE

Unless the context requires otherwise, all references in this report to the Company, Taxus Cardium, Cardium, we, and us refer to Taxus Cardium Pharmaceuticals Group Inc. (formerly Cardium Therapeutics, Inc.) and, as applicable, its wholly-owned subsidiaries Tissue Repair Company, To Go Brands, Inc. and LifeAgain Insurance Solutions, Inc.

Effective July 18, 2013 we effected a reverse split of our outstanding common stock, par value \$0.0001 per share, in a ratio of 1 for 20. All common stock and per share amounts included in this report have been retroactively adjusted to reflect a 1 for 20 reverse stock split, as if such split had been effective at the beginning of the period reported.

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, predicts, or 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 ability to increase revenues, raise sufficient financing and to regain the listing of our common stock on a national exchange;

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 we may depend, and the ability of such contract manufacturers or other service providers

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to manufacture biologics, devices, 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 intellectual property rights and those of others, including actual or potential competitors;

the outcome of litigation matters;

the anticipated activities of 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 new 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.

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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 (the "SEC").

Table of Contents**TAXUS CARDIUM PHARMACEUTICALS GROUP, INC. AND SUBSIDIARIES****(a development stage company)****CONDENSED CONSOLIDATED BALANCE SHEETS**

	March 31, 2014	December 31, 2013
	(unaudited)	
Assets		
Current assets:		
Cash and cash equivalents	\$ 163,492	\$ 22,489
Inventory, net	134,831	159,831
Prepaid expenses and other assets	438,870	309,200
Total current assets	737,193	491,520
Property and equipment, net	26,640	30,196
Investment	1,699,672	1,699,672
Deposit on investment option	435,000	435,000
Other long term assets	69,989	129,989
Total assets	\$ 2,968,494	\$ 2,786,377
Liabilities and Stockholders Equity		
Current liabilities:		
Accounts payable	\$ 1,101,098	\$ 990,279
Accrued liabilities	739,644	611,007
Advances for payables from officer	417,484	0
Total current liabilities	2,258,226	1,601,286
Total liabilities	2,258,226	1,601,286
Commitments and contingencies		
Stockholders equity:		
Series A Convertible Preferred stock, \$0.0001 par value; 40,000,000 shares authorized; issued and outstanding 1,386 at March 31, 2014 and 1,500 at December 31, 2013, with liquidation preferences of \$1,000	0	0
Common stock, \$0.0001 par value; 200,000,000 shares authorized; issued and outstanding 9,652,710 at March 31, 2013 and 8,810,624 at December 31, 2013	13,028	12,956
Additional paid-in capital	107,464,346	106,500,753
Deficit accumulated during development stage	(106,767,106)	(105,328,618)
Total stockholders equity	710,268	1,185,091

Total liabilities and stockholders' equity	\$ 2,968,494	\$ 2,786,377
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See accompanying notes, which are an integral part of these condensed consolidated financial statements.

Table of Contents**TAXUS CARDIUM PHARMACEUTICALS GROUP, INC. AND SUBSIDIARIES****(a development stage company)****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

(unaudited)

	Three Months Ended March 31,		(Inception) to March 31,
	2014	2013	2014
Revenues			
Product sales	\$ 0	\$ 47,400	\$ 894,518
Grant revenues	0	0	1,623,160
Total revenues	0	47,400	2,517,678
Cost of goods sold	0	(30,020)	(506,225)
Gross profit	0	17,380	2,011,453
Operating expenses			
Research and development	243,544	724,876	46,287,642
Selling, general and administrative	1,194,945	1,267,757	49,657,222
Total operating expenses	1,438,489	1,992,633	95,944,864
Loss from operations	(1,438,489)	(1,975,253)	(93,933,411)
Change in fair value of derivative liabilities	0	0	10,395,709
Gain on warrant exchange	0	0	473,872
Interest income	0	217	1,583,855
Interest expense	0	(771)	(7,127,025)
Net loss from continuing operations	\$ (1,438,489)	\$ (1,975,807)	\$ (88,607,000)
Net loss from discontinued operations	0	(286,548)	(24,568,710)
Gain on sale of business unit	0	0	6,408,603
Net loss	\$ (1,438,489)	\$ (2,262,355)	\$ (106,767,107)
Net loss per share basic and diluted			
Net loss from continued operations	\$ (0.16)	\$ (0.31)	
Net Loss from discontinued operations	(0.00)	(0.04)	
Net loss per share basic and diluted	\$ (0.16)	\$ (0.35)	
Weighted average number of common shares outstanding	9,037,771	6,377,538	

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

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

(unaudited)

	Three Months Ended March 31,		December 22, 2003
	2014	2013	(Inception) To March 31, 2014
Cash Flows From Operating Activities			
Net loss	\$ (1,438,489)	\$ (2,262,355)	\$ (106,767,107)
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	3,556	20,594	2,187,041
Amortization intangibles	0	38,308	2,857,781
Amortization debt discount	0	0	5,291,019
Amortization deferred financing costs	0	0	925,859
Amortization technology and licenses	0	33,602	337,489
Write-off of technology licenses	0	0	1,097,511
Provision for obsolete inventory	25,000	39,574	121,666
Reserve for product returns	0	(4,328)	(0)
Change in fair value of warrants	0	0	(10,395,709)
Common stock and warrants issued for services and reimbursement of expenses	0	0	203,882
Stock based compensation expense	506,165	40,750	8,144,736
In-process purchased technology	0	0	2,027,529
Deferred rent	0	(18,328)	(0)
Changes in operating assets and liabilities			
Accounts receivable	0	134,213	118,423
Inventories	0	43,592	(1,925,194)
Prepaid expenses and other assets	(129,670)	30,750	(552,799)
Deposits	60,000	(1,853)	(70,133)
Payables advance from officer	417,484	0	417,484
Accounts payable	110,819	(109,964)	2,332,805
Accrued liabilities	128,638	(58,751)	(196,601)

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Net cash used in operating activities	(316,497)	(2,074,196)	(100,636,199)
Cash Flows From Investing Activities			
In-process technology purchased from Tissue Repair Company	0	0	(1,500,000)
Fee paid to list shares issued for technology and product license	0	0	(65,000)
Purchases of property and equipment	0	(4,599)	(2,855,470)
Cash acquired in acquisitions	0	0	1,839,951
Net cash provided by (used in) investing activities	0	(4,599)	(2,580,519)
Cash Flows From Financing Activities			
Payables advance from officer	0	0	62,882
Restricted cash collateral for letter of credit	0	50,000	0
Proceeds from the exercise of warrants, net	0	0	1,259,212
Proceeds from debt financing agreement, net of debt issuance costs of \$871,833	0	0	14,378,167
Proceeds from the sale of business unit	0	0	11,250,000
Repayment of debt	0	0	(15,750,000)
Proceeds from sales of preferred and common stock, net of issuance costs of \$42,500	457,500	65,744	92,179,949
Net cash provided by financing activities	457,500	115,744	103,380,210
Net increase (decrease) in cash	141,003	(1,963,051)	163,492
Cash and cash equivalents at beginning of period	22,489	2,328,074	0
Cash and cash equivalents at end of period	\$ 163,492	\$ 365,023	\$ 163,492

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	December 22, 2003	(Inception)
	Three Months Ended March 31, 2014	To March 31, 2014
Supplemental Disclosures of Cash Flow Information:		
Cash paid for interest	\$	