

Cardium Therapeutics, Inc.
Form 10-Q
August 10, 2009
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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 JUNE 30, 2009

001-33635

(Commission file number)

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)

Indicate by check mark whether Cardium Therapeutics, Inc. (Cardium) (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 Cardium was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

x Yes No

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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 Cardium is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company (as defined in Rule 12b-2 of the Exchange Act).

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

Yes No

As of August 7, 2009 47,300,271 shares of Cardium's common stock were outstanding.

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

| | June 30, 2009 (Unaudited) | December 31, 2008 (Audited) |
|---|--|--|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 773,084 | \$ 1,102,894 |
| Accounts receivable | 42,240 | 42,279 |
| Deferred financing costs, net | 179,352 | 432,966 |
| Prepaid expenses and other current assets | 77,051 | 76,202 |
| Current assets of business held for sale | 6,390,795 | 7,323,870 |
| Total current assets | 7,462,522 | 8,978,211 |
| Restricted cash | 400,000 | 400,000 |
| Property and equipment, net | 583,489 | 746,169 |
| Deposits | 179,938 | 132,438 |
| Long term assets of business held for sale | 40,103 | 40,103 |
| Total assets | \$ 8,666,052 | \$ 10,296,921 |
| Liabilities and Stockholders Deficiency | | |
| Current liabilities: | | |
| Accounts payable | \$ 3,867,139 | \$ 3,359,152 |
| Accrued liabilities | 2,182,238 | 1,332,448 |
| Current liabilities of business held for sale | 2,231,230 | 2,127,986 |
| Derivative liabilities fair value of warrants | 20,382,056 | |
| Short-term debt, net of debt discount of \$1,305,575 at June 30, 2009 and \$1,963,224 at December 31, 2008 | 9,357,392 | 4,036,776 |
| Current liabilities | 38,020,055 | 10,856,362 |
| Deferred rent | 195,231 | 195,315 |
| Total liabilities | 38,215,286 | 11,051,677 |
| Commitments and contingencies | | |
| Stockholders deficiency: | | |
| Common stock, \$0.0001 par value; 200,000,000 shares authorized; issued and outstanding 46,993,663 at June 30, 2009 and 46,930,439 at December 31, 2008 | 4,699 | 4,693 |
| Additional paid-in capital | 60,870,800 | 73,199,199 |
| Deficit accumulated during development stage | (90,424,733) | (73,958,648) |
| Total stockholders deficiency | (29,549,234) | (754,756) |

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| | | |
|--|--------------|---------------|
| Total liabilities and stockholders' deficiency | \$ 8,666,052 | \$ 10,296,921 |
|--|--------------|---------------|

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

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

| | Three Months Ended June 30, | | Six Months Ended June 30, | | Period from December 22, 2003 (Inception) to June 30, 2009 |
|---|--------------------------------|----------------|------------------------------|-----------------|--|
| | 2009 | 2008 | 2009 | 2008 | |
| Revenues | | | | | |
| Grant revenues | \$ 6,996 | \$ 262,430 | \$ 25,632 | \$ 374,633 | \$ 959,367 |
| Operating expenses | | | | | |
| Research and development | 1,107,147 | 3,501,841 | 2,351,307 | 6,419,690 | 34,527,319 |
| Selling, general and administrative | 1,222,417 | 1,400,387 | 2,510,141 | 3,260,781 | 25,566,108 |
| Total operating expenses | 2,329,564 | 4,902,228 | 4,861,448 | 9,680,471 | 60,093,427 |
| Loss from operations | (2,322,568) | (4,639,798) | (4,835,816) | (9,305,838) | (59,134,060) |
| Change in fair value of derivative liabilities | (4,817,552) | | (14,474,181) | | (4,836,564) |
| Interest income | 1,982 | 15,447 | 6,773 | 87,636 | 1,526,780 |
| Interest (expense) | (2,972,025) | | (4,550,115) | | (5,324,093) |
| Net loss from continuing operations | \$ (10,110,163) | \$ (4,624,351) | \$ (23,853,339) | \$ (9,218,202) | \$ (67,767,937) |
| Net loss from discontinued operations | \$ (1,032,511) | \$ (2,010,111) | \$ (2,026,212) | \$ (4,150,388) | \$ (22,656,796) |
| Net loss | \$ (11,142,674) | \$ (6,634,462) | \$ (25,879,551) | \$ (13,368,590) | \$ (90,424,733) |
| Basic and diluted net loss per common share | | | | | |
| Net loss from continuing operations | \$ (0.22) | \$ (0.11) | \$ (0.51) | \$ (0.21) | |
| Net loss from discontinued operations | \$ (0.02) | \$ (0.04) | \$ (0.04) | \$ (0.10) | |
| Net loss | \$ (0.24) | \$ (0.15) | \$ (0.55) | \$ (0.31) | |
| Weighted average common shares outstanding basic and diluted | 46,931,134 | 43,629,975 | 46,930,788 | 43,169,611 | |

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

Table of Contents**CARDIUM THERAPEUTICS, INC.****(a development stage company)****CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS DEFICIENCY**

| | Common Stock | | Additional Paid-In Capital | Stock Subscription Receivable | Deficit Accumulated During Development Stage | Total Stockholders Deficiency |
|--|--------------|----------|----------------------------------|-------------------------------------|--|-------------------------------------|
| | Shares | Amount | | | | |
| Balance January 1, 2009 | 46,930,439 | \$ 4,693 | \$ 73,199,199 | \$ | \$ (73,958,648) | \$ (754,756) |
| Cumulative effect of change in accounting principles (see note 7) | | | (12,982,785) | | 9,413,466 | (3,569,319) |
| Balance January 1, 2009, as adjusted | 46,930,439 | 4,693 | 60,216,414 | | (64,545,182) | (4,324,075) |
| Stock option compensation expense | | | 370,621 | | | 370,621 |
| Exercise of warrants | 63,224 | 6 | (10) | | | (4) |
| Reclassification of derivative liabilities that no longer contain price protection provisions | | | 315,680 | | | 315,680 |
| Stock issuance costs | | | (31,905) | | | (31,905) |
| Net Loss | | | | | (25,879,551) | (25,879,551) |
| Balance June 30, 2009 | 46,993,663 | \$ 4,699 | \$ 60,870,800 | \$ | \$ (90,424,733) | \$ (29,549,234) |

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

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

| | For the six months ended June 30, | | Period from |
|--|-----------------------------------|-----------------|---|
| | 2009 | 2008 | December 22, 2003 (Inception) to June 30, 2009 |
| Cash Flows From Operating Activities | | | |
| Net loss | \$ (25,879,551) | \$ (13,368,590) | \$ (90,424,733) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | | |
| Depreciation | 356,967 | 307,293 | 1,610,706 |
| Amortization intangibles | 394,828 | 394,828 | 2,647,370 |
| Amortization debt discount | 3,257,859 | 24,608 | 4,001,545 |
| Amortization deferred financing costs | 559,541 | 18,084 | 730,407 |
| Provision for obsolete inventory | | 52,025 | 200,000 |
| Provision for doubtful accounts | | 1,027 | |
| Change in fair value of warrants | 14,474,181 | | 4,836,564 |
| Common stock and warrants issued for services and reimbursement of expenses | 54,026 | | 257,908 |
| Stock based compensation expense | 370,621 | 1,103,635 | 6,318,056 |
| In-process purchased technology | | 1,000,000 | 2,027,529 |
| Changes in operating assets and liabilities, excluding effects of acquisition: | | | |
| Accounts receivable | 126,120 | 157,623 | 6,598 |
| Inventories | 239,836 | (756,300) | (1,863,885) |
| Prepaid expenses and other current assets | (22,806) | 33,165 | |