

Cardium Therapeutics, Inc.  
Form 10-Q  
November 19, 2013  
Table of Contents

**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 September 30, 2013

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)

Edgar Filing: Cardium Therapeutics, Inc. - Form 10-Q

**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 Cardium 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 November 10, 2013, the registrant had 8,175,674 shares of common stock outstanding.

**Table of Contents**

**EXPLANATORY NOTE**

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, its wholly owned subsidiaries Activation Therapeutics, Inc. (formerly Tissue Repair Company), Angionetics Biologics, Inc., To Go Brands, Inc. and LifeAgain Insurance Solutions, Inc.

On July 18, 2013 we effected a 1 for 20 reverse split of our outstanding common stock, par value \$0.0001 per share. The information in this report has been adjusted to give retroactive effect to the reverse stock split.

**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, 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 we 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;

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.

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**

**TABLE OF CONTENTS**

	<b>Page</b>
<b>PART I <u>FINANCIAL INFORMATION</u></b>	<b>1</b>
Item 1. <u>Financial Statements (Unaudited)</u>	1
<u>Condensed Consolidated Balance Sheets</u>	1
<u>Condensed Consolidated Statements of Operations</u>	2
<u>Condensed Consolidated Statements of Cash Flows</u>	3
<u>Notes to Condensed Consolidated Financial Statements</u>	4
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	15
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	19
Item 4. <u>Controls and Procedures</u>	20
<b>PART II <u>OTHER INFORMATION</u></b>	<b>21</b>
Item 1. <u>Legal Proceedings</u>	21
Item 1A. <u>Risk Factors</u>	21
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	22
Item 3. <u>Defaults Upon Senior Securities</u>	22
Item 4. <u>Mine Safety Disclosures</u>	22
Item 5. <u>Other Information</u>	22
Item 6. <u>Exhibits</u>	23
<b><u>SIGNATURES</u></b>	<b>24</b>

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

	September 30, 2013	December 31, 2012
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 585,201	\$ 2,328,074
Restricted cash	0	50,000
Accounts receivable	105,174	328,953
Inventory, net	823,235	1,174,323
Prepaid expenses and other assets	332,682	407,389
Total current assets	1,846,292	4,288,739
Property and equipment, net	65,010	97,582
Investment	435,000	435,000
Technology licenses, net	1,097,511	1,198,318
Intangible assets, net	904,766	1,019,692
Goodwill	584,711	584,711
Other long term assets	195,920	184,836
Total assets	\$ 5,129,210	\$ 7,808,878
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities:		
Accounts payable	\$ 802,365	\$ 777,861
Accrued liabilities	364,547	614,857
Total current liabilities	1,166,912	1,392,718
Deferred rent	11,813	50,370
Total liabilities	1,178,725	1,443,088
Commitments and contingencies		
Stockholders' equity:		
Series A Convertible Preferred stock, \$0.0001 par value; 40,000,000 shares authorized; issued and outstanding 2,580.9 at September 30, 2013 and 0 at December 31, 2012, with liquidation preferences of \$1,000	0	0
Common stock, \$0.0001 par value; 200,000,000 shares authorized; issued and outstanding 7,747,228 at September 30, 2013 and 6,460,915 at December 31, 2012	12,956	12,922
Additional paid-in capital	106,500,753	102,767,193
Deficit accumulated during development stage	(102,563,224)	(96,414,325)

Edgar Filing: Cardium Therapeutics, Inc. - Form 10-Q

Total stockholders' equity	3,950,485	6,365,790
Total liabilities and stockholders' equity	\$ 5,129,210	\$ 7,808,878

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 September 30,		Nine Months Ended September 30,		Period from December 22, 2003 (Inception) to September 30, 2013
	2013	2012	2013	2012	
<b>Revenues</b>					
Product sales	\$ 471,566	\$ 5,589	\$ 1,655,342	\$ 39,241	\$ 2,440,660
Grant revenues	0	0	0	0	1,623,160
Total revenues	471,566	5,589	1,655,342	39,241	4,063,820
Cost of goods sold	288,522	3,640	977,912	15,191	(1,414,977)
Gross profit	183,044	1,949	677,430	24,050	2,648,843
<b>Operating expenses</b>					
Research and development	315,178	508,342	1,566,988	2,097,675	45,573,715
Selling, general and administrative	1,636,871	1,389,731	5,258,129	4,358,706	48,811,487
Total operating expenses	1,952,049	1,898,073	6,825,117	6,456,381	94,385,202
Loss from operations	(1,769,005)	(1,896,124)	(6,147,687)	(6,432,331)	(91,736,360)
Change in fair value of derivative liabilities	0	0	0	64,157	10,395,709
Gain on warrant exchange	0	0	0	0	473,872
Interest income	0	1,204	217	5,885	1,583,855
Interest expense	(0)	0	(1,438)	(2,114)	(7,127,692)
Net loss from continuing operations	(1,769,005)	(1,894,920)	(6,148,908)	(6,364,403)	(86,410,616)
Net loss from discontinued operations	0	0	0	0	(22,561,220)
Gain on sale of business unit	0	0	0	0	6,408,603
Net loss	\$ (1,769,005)	\$ (1,894,920)	\$ (6,148,908)	\$ (6,364,403)	\$ (102,563,233)
Deemed dividend on preferred stock	(172,861)	0	(405,872)	0	(0)
Net loss applicable to common stockholders	\$ (1,941,866)	\$ (1,894,920)	\$ (6,554,780)	\$ (6,364,403)	\$ (0)
Basic and diluted loss per common share	\$ (0.28)	\$ (0.32)	\$ (0.99)	\$ (1.10)	
Weighted average common shares outstanding	6,995,494	5,952,237	6,595,209	5,774,671	

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)**

	<b>For The Nine Months Ended September 30,</b>		<b>December 22, 2003 (Inception) To September 30, 2013</b>
	<b>2013</b>	<b>2012</b>	
<b>Cash Flows From Operating Activities</b>			
Net loss	\$ (6,148,908)	\$ (6,364,403)	\$ (102,563,233)
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	60,224	73,408	2,171,352
Amortization intangibles	114,926	0	2,849,427
Amortization debt discount	0	0	5,291,019
Amortization deferred financing costs	0	0	925,859
Amortization technology and licenses	100,807	100,806	337,489
Provision for obsolete inventory	(62,431)	0	96,717
Reserve for product returns	(27,646)	0	48,354
Change in fair value of warrants	0	(64,157)	(10,395,709)
Common stock and warrants issued for services and reimbursement of expenses	0	0	203,882
Stock based compensation expense	40,750	128,996	7,638,571
In-process purchased technology	0	0	2,027,529
Deferred rent	(38,557)	(49,615)	11,813
Changes in operating assets and liabilities			
Accounts receivable	223,779	(3,621)	120,092
Inventories	413,519	(296,098)	(2,132,373)
Prepaid expenses and other assets	74,707	(165,426)	(438,552)
Deposits	(11,084)	0	(196,064)
Accounts payable	24,504	(377,298)	1,729,000
Accrued liabilities	(222,664)	(50,916)	(685,692)
Net cash used in operating activities	(5,458,074)	(7,068,324)	(99,752,400)
<b>Cash Flows From Investing Activities</b>			
In-process technology purchased from Tissue Repair Company	0	0	(1,500,000)
Cash acquired in acquisitions	0	288,151	1,839,951
Fee paid to list shares issued for technology and product license	0	0	(65,000)
Purchases of property and equipment	(27,652)	(15,866)	(2,860,069)
Net cash used in investing activities	(27,652)	272,285	(2,585,118)
<b>Cash Flows From Financing Activities</b>			
Proceeds from officer loan	0	0	62,882
Restricted cash collateral for letter of credit	50,000	150,000	0

Edgar Filing: Cardium Therapeutics, Inc. - Form 10-Q

Restricted cash – proceeds placed in escrow from sale of business	0	0	0
Proceeds from the exercise of warrants, net	0	764	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 \$198,086	3,692,853	6,396,127	91,722,458
Net cash provided by financing activities	3,742,853	6,546,891	102,922,719
Net (decrease) increase in cash	(1,742,873)	(249,148)	585,201
Cash and cash equivalents at beginning of period	2,328,074	4,721,279	0
Cash and cash equivalents at end of period	\$ 585,201	\$ 4,472,131	\$ 585,201

**Supplemental Disclosures of Cash Flow Information:**

Cash paid for interest	\$ 1,438	\$ 2,114	\$ 1,394,487
Cash paid for income taxes	\$ 3,200	\$ 2,400	\$ 31,762

**Non-Cash Activity:**

Subscription receivable for common shares	\$ 0	\$ 0	\$ 17,000
Common stock issued for repayment of loans	\$ 0	\$ 0	\$ 62,882
Stock issued for technology license fee	\$ 0	\$ 0	\$ 1,870,000
Net assets acquired for the issuance of common stock (exclusive of cash acquired)	\$ 0	\$ 1,727,849	\$ 7,551,849
Warrants exchanged for stock	\$ 0	\$ 0	\$ (901,139)
Reclassification of derivative liabilities with expired price protection provisions	\$ 0	\$ (21,349)	\$ (4,045,702)

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)**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**(Unaudited)**

**Note 1 - Organization and Liquidity**

**Organization**

Cardium Therapeutics, Inc. (the Company, Cardium, we, our and us ) was incorporated in Delaware in December 2003. We are a medical technology company primarily focused on the development and commercialization of a portfolio of novel products and devices.

We are currently operating in four primary business lines through our four operating subsidiaries: Activation Therapeutics, Inc., Angionetics Biologics, Inc., To Go Brands, Inc. and LifeAgain Insurance Solutions, Inc. We report in two business segments. Our Pharmaceutical Products segment includes the operations of our Activation Therapeutics, Inc. and Angionetics Biologics, Inc. subsidiaries. Activation Therapeutics, Inc. is developing and commercializing a late-stage line of regenerative medicine product candidates. Angionetics Biologics, Inc. is developing innovative cardiovascular products. Our Nutraceutical Products segment includes the operations of our To Go Brands, Inc. subsidiary and is developing and marketing a line of nutraceuticals and other healthy lifestyle products. Our LifeAgain Insurance Solutions, Inc. subsidiary is a life insurance business focused on medical data analysis and is advancing toward commercialization. We anticipate that LifeAgain Insurance Solutions business will be reported as a separate segment, once it establishes material operations.

The significant transactions in the development of our current product portfolio are as follows:

In October 2005, we acquired a portfolio of biologic growth factors and related delivery techniques from the Schering AG Group (now part of Bayer AG) for potential use in treating ischemic and other cardiovascular conditions. This was the inception of our Angionetics Biologics business.

In March 2006, we acquired the technologies and products of InnerCool Therapies, Inc., a medical technology company in the emerging field of therapeutic hypothermia, or patient temperature modulation, whose systems and products are designed to rapidly and controllably cool the body to reduce cell death and damage following acute ischemic events such as cardiac arrest and stroke, and to potentially lessen or prevent associated injuries such as adverse neurologic outcomes.

In August 2006, we acquired rights to assets and technologies of Activation Therapeutics, Inc. (formerly Tissue Repair Company), a company focused on the development of growth factor therapeutics for the potential treatment of tissue wounds such as chronic diabetic wounds, and whose FDA 510(k) cleared product, Excellagen is designed for the treatment of diabetic foot ulcers and other wounds,

On July 24, 2009, we sold all of the assets and liabilities of our InnerCool Therapies business to Philips Electronics North America Corporation for \$11.25 million, as well as the transfer of approximately \$1.5 million in trade payables.

On September 28, 2012 we acquired substantially all of the business assets and product portfolio of privately-held To Go Brands, Inc. To Go Brands develops, markets, and sells a portfolio of products, including nutraceutical powder mixes, supplements and chews intended to support healthy lifestyles. These products are sold through food, drug and mass channels at retailers including Whole Foods®, Kroger®, GNC®, Jewel-Osco®, Ralph's Supermarkets®, Meijer®, and the Vitamin Shoppe® and from the Company's web-based store.

## Edgar Filing: Cardium Therapeutics, Inc. - Form 10-Q

Our business is focused on the acquisition, strategic development, and partnering or other monetization of product opportunities or businesses, and having definable pathways to commercialization. We intend to consider various corporate development transactions designed to place our product candidates into larger organizations or with partners having existing commercialization, sales and marketing resources, and a need for innovative products. Such transactions could involve the sale, partnering or other monetization of particular product opportunities or businesses.

We are a development stage company. We have yet to generate positive cash flows from operations, and are essentially dependent on debt and equity funding, or sale or other monetization of product opportunities or businesses, to finance our operations.

### **Reverse Stock Split**

On July 17, 2013, pursuant to board and stockholder approval, we filed a Certificate of Amendment to our Restated Certificate of Incorporation with the State of Delaware to effect a reverse split of our outstanding common stock, par value \$0.0001 per share, in a ratio of 1:20. The effective date of the reverse stock split was July 18, 2013.

## **Table of Contents**

On that date, every 20 shares of outstanding common stock were reclassified and combined into one share of common stock. No fractional shares were issued as a result of the reverse stock split. Instead, each resulting fractional share of common stock was rounded down to one whole share. The reverse stock split reduced the number of shares of common stock outstanding from 134,366,340 to 6,718,317.

All common stock and per share amounts contained in the consolidated financial statements included in this report have been retroactively adjusted to reflect the 1 for 20 reverse stock split, as if such split had been effective at the beginning of the period reported

### **Liquidity and Going Concern**

As of September 30, 2013 we had \$585,201 in cash and cash equivalents and our working capital was \$679,380.

Net cash used in operating activities was \$5,458,000 for the nine months ended September 30, 2013 compared to \$7,068,000 for the nine months ended September 30, 2012. The decrease in net cash used in operating activities was due primarily to an increase in product sales, and decreases in testing and process validation costs for the initial inventory for our Activation Therapeutics business, including our Excellagen topical treatment gel. Since inception, our operations have consumed substantial amounts of cash and we have had only limited revenues. From inception (December 22, 2003) to September 30, 2013, net cash used in operating activities amounted to \$99,752,000.

Our primary source of liquidity has been cash flows from financing activities and in particular proceeds from sales of our debt and equity securities. Net cash provided by financing activities was \$3,743,000 for the nine months ended September 30, 2013. This included the sale of 4,012 shares of Series A Convertible Preferred Stock with net proceeds of \$3,692,000, and 343,749 shares of common stock in at-the-market transactions in the first quarter for net proceeds of \$65,743. See Note 7. From inception (December 22, 2003) to September 30, 2013 net cash provided by financing activities amounted to \$102,923,000.

Net cash used in investing activities for the nine months ended September 30, 2013 was \$28,000. Net cash used in investing activities since inception amounted to \$2,585,000. At September 30, 2013 we did not have any significant capital expenditure requirements.

Our business model is designed to develop a diversified portfolio of product opportunities and businesses, leveraging our skills in late-stage product development in order to bridge the critical gap between promising new technologies and readiness for commercialization and then to partner or monetize such product opportunities or businesses with established organizations capable of advancing their commercialization. Consistent with our business model and long-term strategy, we have already advanced and monetized a first business unit, Innercool Therapies, Inc., which was sold to Philips Electronics North America Corporation.

We now have four additional business units in our portfolio: (1) Angionetics Biologics, which includes Cardium's late-stage DNA-based Generx® cardiovascular biologic product candidate; (2) Activation Therapeutics, which includes the Company's regenerative medicine wound healing technology platform, including its Excellagen® advanced wound care product; (3) To Go Brands®, which includes the Company's health sciences and nutraceutical business; and (4) LifeAgain Insurance Solutions, Inc. which is focused on building the Company's medical data analytics technology platform.

We intend to consider additional corporate development transactions designed to place our product candidates or businesses into larger organizations or with partners having existing commercialization, sales and marketing resources, and a need for innovative products. Such transactions could involve the sale, partnering or other monetization of particular product opportunities or businesses. In parallel, as our businesses are advanced and corresponding valuations established, we plan to pursue new product opportunities and acquisitions with strong value enhancement potential.

## **Table of Contents**

While we intend to partner or monetize one or more of our product opportunities or businesses consistent with our business model, the timing and success of those transactions cannot be assured and negative cash flow from operations are expected to continue for the foreseeable future. In order to maintain operations and liquidity, we expect we will need to complete a monetization of one or more product opportunities or business units, and/or complete a financing, before end of year. Our principal business objective in the near term is to complete an additional strategic licensing agreement to advance sales of the Excellagen product family, enter into a distribution arrangement to advance sales of our To Go Brands nutraceuticals business, and/or another corporate transaction. If we fail to receive sufficient proceeds from the partnering, sale, or other monetization of product opportunities or businesses, or generate sufficient product sales we will not generate sufficient cash flows to cover our operating expenses.

If needed, we intent to secure additional financings in the form of sale of equity securities. Based on recently-issued amendments to Rule 506 and Rule 144A under the Securities Act of 1933 that were implemented under Section 201(a) of the Jumpstart Our Business Startups Act (the JOBS Act ), and since we do not anticipate raising additional funds under our shelf registration statement or as debt within the next 12 months, such financings may be through the sale of private equity interests to Qualified Investors or strategic partners based on the JOBS Act amendments, and/or through other private placements or a public offering of securities, which could potentially be made in the parent company or independently in one or more of our subsidiary business units.

Our history of recurring losses and uncertainties as to whether our operations will become profitable raise substantial doubt about our ability to continue as a going concern. Our condensed consolidated financial statements do not include any adjustments related to the recoverability of assets or classifications of liabilities that might be necessary should we be unable to continue as a going concern.

## **Note 2 Summary of Significant Accounting Policies**

### **Basis of Presentation**

The accompanying financial statements have been prepared in accordance with authoritative guidance for development stage enterprises. The condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial statements and with Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not contain all information and footnotes required by accounting principles generally accepted in the United States of America for annual financial statements. In the opinion of the Company's management, the accompanying unaudited condensed consolidated financial statements contain all the adjustments necessary (consisting only of normal recurring accruals) to present the financial position of the Company as of September 30, 2013 and the results of operations and cash flows for the periods presented. The results of operations for the nine months ended September 30, 2013 are not necessarily indicative of the operating results for the full fiscal year or any future period.

These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and related notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2012. The Company's accounting policies are described in the Notes to Consolidated Financial Statements in our Annual Report on Form 10-K for the year ended December 31, 2012, and updated, as necessary, in this Quarterly Report on Form 10-Q.

### **Fair Value of Financial Instruments**

The carrying amounts of cash and cash equivalents, accounts receivable, inventories, accounts payable, and accrued liabilities approximate fair value due to the short term maturities of these instruments.

### **Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. The most significant estimates include reserve for product returns, reserve for inventory, and valuing options and warrants using option pricing models.

### **Principles of Consolidation**

The consolidated financial statements include the accounts of Cardium Therapeutics, Inc. and its wholly-owned subsidiaries, Activation Therapeutics, Inc. (formerly Tissue Repair Company), LifeAgain Insurance Solutions, Inc., and To Go Brands, Inc. (collectively, the Company ). All significant inter-company transactions and balances have been eliminated in consolidation.



## **Table of Contents**

### **Cash and Cash Equivalents**

We consider all highly liquid investments with maturities of three months or less when purchased to be cash equivalents.

### **Concentration of Credit Risk**

Financial instruments that potentially subject us to significant concentrations of credit risk consist of cash and cash equivalents. At times, our cash and cash equivalents may be uninsured or in deposit accounts that exceed the Federal Deposit Insurance Corporation ( FDIC ) insurance limits. As of September 30, 2013, we had cash and cash equivalent balances of approximately \$335,000 in excess of the federally insured limit of \$250,000.

### **Accounts Receivable**

Accounts receivable are stated at cost less an allowance for doubtful accounts, which reflects our estimate of balances that will be not collected. The allowance is based on the history of past write-offs, the aging of balances, collections experience and current credit conditions. Additions to the allowance for doubtful accounts include provisions for bad debt and deductions to the allowance for doubtful accounts include customer write-offs. We have a low occurrence of credit losses and therefore do not believe an allowance for doubtful accounts is necessary at this time.

### **Long-Lived Assets**

Long-lived assets to be held and used, including property, plant, and equipment as well as intangible assets, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable such as:

a significant decline in the observable market value of an asset;

a significant change in the extent or manner in which an asset is used; or

a significant adverse change that would indicate that the carrying amount of an asset or group of assets is not recoverable.

Determination of recoverability is based on an estimate of undiscounted future cash flows resulting from the use of the asset and its eventual disposition. In the event that such cash flows are not expected to be sufficient to recover the carrying amount of the assets, the assets are written-down to their estimated fair values. Long-lived assets to be disposed of are carried at fair value less costs to sell. We do not believe there was any impairment of long-lived assets at September 30, 2013 or December 31, 2012.

### **Preferred Stock**

We apply the accounting standards for distinguishing liabilities from equity when determining the classification and measurement of our preferred stock. Shares that are subject to mandatory redemption (if any) are classified as liability instruments and are measured at fair value. We classify conditionally redeemable preferred shares, which includes preferred shares that feature redemption rights that are either within the control of the holder or subject to redemption upon the occurrence of uncertain events not solely within the Company's control, as temporary equity. At all other times, preferred shares are classified as stockholders' equity.

### **Revenue Recognition**

Our revenues principally consist of sales of nutritional products. We apply the revenue recognition principles set forth under the Securities and Exchange Commission's Staff Accounting Bulletin ( SAB ) 104. Accordingly, revenue from product sales is recognized when (i) persuasive evidence of an arrangement exists, (ii) delivery has occurred, (iii) the sales price is fixed or determinable, and (iv) collectability is reasonably assured. These criteria are met when the risk of ownership and title passes to our customers.

Net sales represent products at gross selling price, less (i) estimated product returns and (ii) certain other discounts, allowances and sales incentives. We use various types of sales incentives and promotions in marketing our products; including, price reductions, coupons, rebate



## Edgar Filing: Cardium Therapeutics, Inc. - Form 10-Q

offers, slotting fees and free product. The cost of these sales incentives and promotions are accounted for as a direct reduction of sales. The cost of free product is classified as cost of goods sold.

We sell certain products with rights of return. If the amount of future returns can be reasonably estimated, we recognize revenue when the products are shipped, net of allowance for estimated returns, provided that all other criteria for revenue recognition have been met. A reserve for product returns is recorded based upon historical experience. At September 30, 2013 and December 31, 2012, the reserve for product returns amounted to \$48,000 and \$76,000, respectively.

-7-

**Table of Contents****Income Taxes**

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in operations in the period enacted. A valuation allowance is provided when it is more likely than not that a portion or all of a deferred tax asset will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income and the reversal of deferred tax liabilities during the period in which related temporary differences become deductible. The benefit of tax positions taken or expected to be taken in our income tax returns is recognized in the condensed consolidated financial statements if such positions are more likely than not to be sustained upon examination.

**Loss Per Common Share**

We compute loss per share, in accordance with ASC Topic 260 which requires dual presentation of basic and diluted earnings per share.

Basic income or loss per common share is computed by dividing net income or loss by the weighted average number of common shares outstanding during the period. Diluted income or loss per common share is computed by dividing net income or loss by the weighted average number of common shares outstanding, plus the issuance of common shares, if dilutive, that could result from the exercise of outstanding stock options and warrants. These potentially dilutive securities were not included in the calculation of loss per common share for the three months and nine months ended September 30, 2013 or 2012 because their effect would be anti-dilutive.

As of September 30, 2013 potentially dilutive securities consist of preferred stock convertible into 50,777,475 shares of common stock and outstanding stock options and warrants to acquire 1,276,112 shares of our common stock. As of September 30, 2012, potentially dilutive securities consisted of outstanding stock options and warrants to acquire 1,624,951 shares of our common stock.

**Stock-Based Compensation**

Stock-based compensation costs are recognized on a straight-line basis over the requisite service period of the award, which is generally the vesting term of the award. At September 30, 2013 we had no unamortized stock option expense.

Total stock-based compensation expense included in the condensed consolidated statements of operations was allocated to research and development and general and administrative expenses as follows:

	For the Three Months Ended September 30	
	2013	2012
Research and development	\$ 0	\$ 5,999
General and administrative	0	36,152
<b>Total stock-based compensation</b>	<b>\$ 0</b>	<b>\$ 42,151</b>

	For the Nine Months Ended September 30,	
	2013	2012
Research and development	\$ 5,997	\$ 17,886
General and administrative	34,753	111,110
<b>Total stock-based compensation</b>	<b>\$ 40,750</b>	<b>\$ 128,996</b>

**Recent Accounting Pronouncements**

## Edgar Filing: Cardium Therapeutics, Inc. - Form 10-Q

We do not believe that any recently issued accounting standards, if adopted, would have a material impact on our condensed consolidated financial statements.

-8-

**Table of Contents****Note 3 - Business Combinations**

On September 28, 2012 we completed our acquisition of the assets of privately-held To Go Brands, Inc., a Nevada corporation. To Go Brands develops, markets and sells a portfolio of products, including nutraceutical powder mixes, supplements and chews intended to support healthy lifestyles. We acquired substantially all of the assets, properties, goodwill and rights related to the business, including without limitation, accounts receivable, inventory, furniture and fixtures, patents, trademarks, and other intellectual property rights. The product line includes drink mixes in stick packs designed to be poured directly into a water bottle, packaged mixes for home use and capsule-based dietary supplements. These products are sold through food, drug and mass channels at retailers including Whole Foods®, Kroger®, GNC®, Jewel-Osco®, Ralph s Supermarkets®, Meijr®, and the Vitamin Shoppe® and from the Company s web-based store.

Pursuant to the terms of the asset purchase agreement, we issued 480,000 shares of our common stock, which were unregistered and restricted shares. We issued 420,000 unregistered shares of common stock into an escrow account, to be held for 6 months and then released in tranches over the following one year period ending 18 months following the closing of the transaction. As of September 30, 2013 245,000 shares of common stock have been released from the escrow account. An additional 60,000 shares of common stock were issued into escrow to be held for an 18-month period as security for indemnification claims that may arise in connection with the asset purchase transaction or the related business.

We accounted for the acquisition of To Go Brands in accordance with ASC 805 Business Combinations .

The unaudited pro forma consolidated financial information for the three months and nine months ended September 30, 2012 is as follows:

**Pro Forma Combined for the Acquisition of To Go Brands, Inc.**

	<b>For The Three Months Ended September 30, 2012</b>	<b>For The Nine Months Ended September 30, 2012</b>
Net Sales	\$ 410,582	\$ 2,134,868
Net (loss)	(2,160,729)	(6,924,110)
Net (loss) per common share - basic and diluted	\$ (0.34)	\$ (1.12)
Weighted average common shares outstanding - basic and diluted	6,372,237	6,194,671

Unaudited pro forma condensed consolidated financial information is presented above as if the To Go Brands acquisition had occurred at the beginning of the period shown. The results have been adjusted to account for the amortization of acquired intangibles and other pro forma adjustments. The pro forma information presented does not purport to present what actual results would have been had the acquisition occurred at the beginning of such periods, nor does the information project results for any future period. The pro forma information includes net sales of To Go Brands for the three and nine months ended September 30, 2012 totaling \$404,993 and \$2,095,627 respectively. Net (loss) for To Go Brands for the three and nine months ended September 30, 2012 was \$(227,501), and \$(444,783) respectively.

**Note 4 - Inventories**

Inventories consisted of the following:

	<b>September 30, 2013</b>	<b>December 31, 2012</b>
Raw materials	\$ 648,859	\$ 515,244
Finished goods	201,553	748,687
	850,412	1,263,931
Less provision for obsolete inventory	(27,177)	(89,608)
Inventories, net	\$ 823,235	\$ 1,174,323



**Table of Contents****Note 5 Intangible assets and strategic investment**

Technology license fees and intangible assets consisted of the following:

	Cost	September 30, 2013 Accumulated Amortization	Net Asset
Technology and product license fee	\$ 1,435,000	\$ 337,489	\$ 1,097,511
Brands	385,000	38,500	346,500
Product formulas	596,000	99,334	496,666
Customer database	77,000	15,400	61,600
	\$ 2,493,000	\$ 490,723	\$ 2,002,277

	Cost	December 31, 2012 Accumulated Amortization	Net Asset
Technology and product license fee	\$ 1,435,000	\$ 236,682	\$ 1,198,318
Brands	385,000	9,625	375,375
Product formulas	596,000	24,833	571,167
Customer database	77,000	3,850	73,150
	\$ 2,493,000	\$ 274,990	\$ 2,218,010

Amortization expense for the three month period ended September 30, 2013 and September 30, 2012 was \$71,910 and \$33,602, respectively. Amortization expense for the nine month period ended September 30, 2013 and September 30, 2012 was \$215,733 and \$100,806, respectively.

Based on the carrying amount of the intangible assets as of September 30, 2013 the amortization expense for the next five years and thereafter is estimated as follows:

Year Ending December 31,	Amount
2013	\$ 71,909
2014	287,642
2015	287,643
2016	287,643
2017	283,792
Thereafter	783,648
Total	\$ 2,002,277

**Note 6 - Accrued Liabilities**

Accrued Liabilities consisted of the following:

	September 30, 2013	December 31, 2012
Payroll and benefits	\$ 315,716	\$ 454,337
Other	48,831	160,520

Edgar Filing: Cardium Therapeutics, Inc. - Form 10-Q

Total	\$ 364,547	\$ 614,857
-------	------------	------------

-10-

**Table of Contents****Note 7 - Preferred Stock Transaction**

In April 2013, we entered into a securities purchase agreement with one of our institutional investors pursuant to which we agreed to sell to the investor an aggregate of 4,012 shares of our newly authorized Series A Convertible Preferred Stock, for a total purchase price of \$4.0 million. No warrants will be issued in connection with this offering, other than 44,087 placement agent warrants with an exercise price of \$2.275 per share and an expiration date of August 27, 2015. The securities purchase agreement provided for the sale of Series A Convertible Preferred Stock in two closings. The initial closing under the securities purchase agreement took place in April 2013, at which we sold 2,356 shares of Series A Convertible Preferred Stock for aggregate net proceeds of \$2,160,000. A second closing for the remaining 1,656 shares of Series A Convertible Preferred Stock for aggregate net proceeds of \$1,532,000 took place promptly after shareholder approval of the offering of the Series A Convertible Preferred Stock and the 1 for 20 reverse stock split of our outstanding common stock. That closing took place on July 18, 2013. Prior to September 30, 2013 the investor had converted 1,431 shares of Series A Convertible Preferred Stock into 1,269,126 shares of common stock. As a result of the conversion, 2,580.9 shares of Series A Convertible Preferred Stock were outstanding at September 30, 2013.

The holders of our Series A Convertible Preferred Stock are entitled, on an as-converted basis, to dividends equal to and in the same form as any dividends declared and issued on our common stock. Except as required by law, holders of Series A Convertible Preferred Stock are not entitled to voting rights. Upon any liquidation, dissolution or winding up, holders of the Series A Convertible Preferred Stock will be entitled to a liquidation preference above the holders of common stock or any other junior stock in an amount equal to the original purchase price of \$1,000, plus any fees, damages or dividends arising. The Series A Convertible Preferred Stock is convertible into shares of our common stock at the option of the holder, subject to a beneficial ownership limitation of 9.99%. The initial conversion price was \$1.82 per share after giving effect to the reverse stock split, but was subsequently reset to \$1.02 per share. We have the right to force conversion if the volume weighted average price for our common stock exceeds \$12.00 per share for 25 trading days during a 30 consecutive trading day period and certain other equity conditions are met.

As long as any shares of Series A Convertible Preferred Stock are outstanding, we have agreed that we will not, without the consent of the holders of two-thirds of the Series A Convertible Preferred Stock, incur indebtedness other than specified Permitted Indebtedness, incur any liens other than specified Permitted Liens, amend our Certificate of Incorporation in any manner that adversely affects the Series A Convertible Preferred Stock, repurchase or redeem any common stock or common stock equivalents, pay dividends on our common stock, or enter into any related party transactions.

In connection with the convertible preferred stock, the Company determined the instrument contained a beneficial conversion feature at the date of issuance. This beneficial conversion feature amounted to \$233,011 for the April transaction and was recorded as a deemed preferred dividend in April 2013. The beneficial conversion feature on the July transaction amounted to \$172,861 and was recorded as a deemed preferred dividend in July 2013.

**Note 8 - Stock Option Activity**

We have an equity incentive plan that was established in 2005 under which 283,292 shares of our common stock have been reserved for issuance to our employees, non-employee directors and consultants.

The following is a summary of stock option activity under our equity incentive plan and warrants issued outside of such plan to our employees and consultants, during the nine months ended September 30, 2013. At September 30, 2013 there was no intrinsic value in the outstanding options.

	Number of Options or Warrants	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (in years)
Balance outstanding, January 1, 2013	177,750	\$ 33.40	2.3
Granted	0	0.00	0
Exercised	0	0.00	0
Expired (vested)	(20,750)	41.18	0
Cancelled (unvested)	(2,844)	14.80	0



Edgar Filing: Cardium Therapeutics, Inc. - Form 10-Q

Balance outstanding, September 30, 2013	154,156	\$	32.75	2.25
Exercisable, September 30, 2013	153,479		32.83	2.25

At September 30, 2013 we had no unamortized stock option expense.

**Table of Contents****Note 9 - Common Stock Purchase Warrants**

In connection with various financing transactions we have issued common stock purchase warrants to investors. The following table summarizes warrant activity for the nine months ended September 30, 2013:

	Number of Warrants	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (in years)
Balance outstanding, January 1, 2013	1,369,321	\$ 19.00	2.1
Warrants issued	44,087	2.28	2.2
Warrants exercised	0	0.00	0
Warrants expired	(291,452)	16.42	0
Warrants cancelled	0	0.00	0
Balance outstanding, September 30, 2013	1,121,956	\$ 19.20	1.9
Warrants exercisable at September 30, 2013	1,077,868	\$ 19.80	1.9

The following table summarizes warrant by exercise price range as of September 30, 2013:

	Number of Warrants	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (in years)
Warrants by Price Range			
Warrants priced between \$2.28 and \$12.80	670,938	\$ 11.79	2.2
Warrants priced between \$18.00 and \$44.00	451,018	\$ 30.46	1.34
Balance outstanding, September 30, 2013	1,121,956	\$ 19.20	1.9

**Note 10 - Segment Information**

Effective October 1, 2012, we commenced reporting the results of our operations in two segments; Pharmaceutical Products and Nutraceutical Products. We established these two segments following our acquisition of To Go Brands, which presented us with a turn-key opportunity to acquire a limited but established portfolio of nutritional supplement or nutraceutical products. We manage these two segments separately due to inherent differences in the nature of pharmaceutical and nutraceutical products. Pharmaceutical products are subject to significantly more stringent regulatory approval standards than nutraceutical products; there are material differences in the cost, time and effort we must expend to develop and test pharmaceutical products, each of these product categories have distinctly different marketing channels and the initial sales ramp is much slower for our products in the Pharmaceutical segment.

The Nutraceutical segment of our business includes the purchasing, packaging, selling and distribution of the To Go Brands portfolio of products that we acquired on September 28, 2012. The Pharmaceutical segment of our business, which is our core and planned principal operation, includes the development, testing and clinical trials of Generx and Excellagen products. We do not have an internal sales force for our pharmaceutical products and will rely on strategic partnerships and distribution agreements in the U.S. and internationally. We have distributed samples and made initial sales of Excellagen and have entered into distribution agreements for future sales growth.



**Table of Contents**

The following is a summary of certain financial data for each of our business segments:

	Three Months Ended September 30, 2013	Three Months Ended September 30, 2012	Nine Months Ended September 30, 2013	Nine Months Ended September 30, 2012
<b>Net Sales</b>				
Pharmaceutical	\$ 19,200	\$ 5,589	\$ 109,200	\$ 39,241
Nutraceutical	452,366	0	1,546,142	0
Total	471,566	5,589	1,655,342	39,241

	Three Months Ended September 30, 2013	Three Months Ended September 30, 2012	Nine Months Ended September 30, 2013	Nine Months Ended September 30, 2012
<b>Operating Loss</b>				
Pharmaceutical	1,527,288	1,896,124	5,358,770	6,432,331
Nutraceutical	241,717	0	788,917	0
Total	1,769,005	1,896,124	6,147,687	6,432,331

	September 30, 2013	December 31, 2012
<b>Identifiable Assets</b>		
Pharmaceutical	2,965,139	7,167,478
Nutraceutical	2,164,071	641,400
Total	\$ 5,129,210	\$ 7,808,878

**Table of Contents**

**Note 11 - Subsequent Events:**

On November 15<sup>th</sup> 2013, subsequent to the period covered by this report, the Company sold its To Go Brands<sup>®</sup> business to Healthy Brands Collective<sup>®</sup> in exchange for an equity stake in Healthy Brands preferred stock which convertible into common stock currently represents approximately 4% of their fully-diluted common stock, and the assumption of approximately \$300,000 of liabilities. Healthy Brands Collective<sup>®</sup> is a fast growing private company that has acquired a portfolio of eight independent brand product platforms (prior to To Go Brands) including Cell-nique<sup>®</sup>, Cherrybrook Kitchen<sup>®</sup>, Yumnuts<sup>®</sup>, Living Harvest/Tempt<sup>®</sup>, Bites of Bliss<sup>®</sup>, High Country Kombucha<sup>®</sup> drinks and Organics European Gourmet Bakery (formerly Dr. Oetker) natural and organic baking mixes. Healthy Brands expects to make additional brand acquisitions and has previously reported plans to move forward as a public company as its business advances. Cardium, through its health sciences unit, will retain the trademarks and technology relating to the MedPodium nutra-apps and nutraceutical product line and will retain its investment interest in SourceOne, a leading nutraceutical and health sciences ingredient supplier. A Form 8-K will be filed within four days of the sale which will include the required pro forma financial statements.

## **Table of Contents**

### **ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

*The following discussion and analysis is intended to help you understand our financial condition and results of operations for the three and nine months ended September 30, 2013. You should read the following discussion and analysis together with our unaudited condensed consolidated financial statements and the notes to the condensed consolidated financial statements included under Item 1 in this report, as well as the risk factors and other information included Part II, Item 1A, in our annual report on Form 10-K for our year ended December 31, 2012 (our 2012 Annual Report), and other reports and documents we file with the United States Securities and Exchange Commission (SEC). Our future financial condition and results of operations will vary from our historical financial condition and results of operations described below.*

#### **Executive Overview**

We are a medical technology company primarily focused on the development and commercialization of novel products and devices. We are currently operating in four primary business lines through our four operating subsidiaries: Activation Therapeutics, Inc., Angionetics Biologics, Inc., To Go Brands, Inc. and LifeAgain Insurance Solutions, Inc. We report in two business segments. Our Pharmaceutical Products segment includes the operations of our Activation Therapeutics, Inc. and Angionetics Biologics, Inc. subsidiaries. Activation Therapeutics, Inc. is developing and commercializing late-stage line of regenerative medicine product candidates including Excellagen®. Angionetics Biologics, Inc. is developing innovative cardiovascular products including Generx®. Our Nutraceutical Products segment includes the operations of our To Go Brands, Inc. subsidiary and is developing and marketing a line of nutraceuticals and other healthy lifestyle products. Our LifeAgain Insurance Solutions, Inc. subsidiary is a life insurance business focused on advanced medical data analytics and is advancing toward commercialization.

Our business is focused on the acquisition, strategic development, and partnering or other monetization of product opportunities or businesses and having definable pathways to commercialization, and on partnering or other monetization following the achievement of corresponding development objectives. Consistent with our overall business strategy, as our product opportunities and businesses are advanced and corresponding valuations established, we intend to consider various corporate development transactions designed to place our product candidates into larger organizations or with partners having existing commercialization, sales and marketing resources, and a need for innovative products. Such transactions could involve the sale, partnering or other monetization of particular product opportunities or businesses.

#### **Recent Developments**

During the nine months ended September 30, 2013 we continued our efforts to advance the clinical development of our biologic product Generx, commercialize our wound healing product Excellagen, integrate and expand the business from our recent acquisition of To Go Brands, Inc., and develop our LifeAgain insurance product in conjunction with strategic partners. Highlights for the first nine months of 2013 include the following:

##### *Angionetics Biologics, Inc. Generx Development*

Generx (Ad5FGF-4) is a disease-modifying regenerative medicine biologic that is being developed to offer a one-time, non-surgical option for the treatment of myocardial ischemia in patients with stable angina due to coronary artery disease, who might otherwise require surgical and mechanical interventions, such as coronary artery by-pass surgery or balloon angioplasty and stents. Similar to surgical/mechanical revascularization approaches, the goal of our Generx product candidate is to improve blood flow to the heart muscle but to do so non-surgically, following a single administration from a standard balloon angioplasty catheter. The ASPIRE Phase 3 registration is currently being conducted at up to nine leading cardiology centers in the Russian Federation to evaluate the therapeutic effects of Generx in patients with myocardial ischemia due to coronary artery disease. For additional information about Generx and the ASPIRE clinical study, please visit [www.cardiumthx.com/generx.html](http://www.cardiumthx.com/generx.html). Recent developments with respect to Generx include:

Advanced forward our Generx ASPIRE Phase 3/ registration study, a 100-patient, randomized and controlled multi-center study currently enrolling patients at up to nine leading cardiology centers in the Russian Federation for patients with myocardial ischemia due to coronary artery disease. The ASPIRE study is designed to further evaluate the safety and effectiveness of our Generx DNA-based angiogenic product candidate, which has already been tested in clinical studies involving 650 patients at more than one hundred medical centers in the U.S., Europe and elsewhere. The efficacy of Generx is being quantitatively assessed using rest and stress SPECT (Single-Photon Emission Computed Tomography) myocardial imaging to measure improvements in microvascular cardiac perfusion following a one-time, non-surgical, catheter-based administration of Generx. The Cedars-Sinai Medical Center Nuclear Cardiology Core Laboratory in Los Angeles, California, is the central core lab for the study and is responsible for the analysis of SPECT myocardial imaging data electronically transmitted from the Russian medical centers participating in the ASPIRE study. The Russian Health Authority has assigned Generx the therapeutic drug trade name of Cardionovo® for marketing and sales in

Russia.

---

**Table of Contents**

Published the article, Mechanistic, Technical, and Clinical Perspectives in Therapeutic Stimulation of Coronary Collateral Development by Angiogenic Growth Factors, authored by Gabor M. Rubanyi, M.D., Ph.D., Cardium's Chief Scientific Officer, in the April issue of Molecular Therapy publication. The publication outlines current scientific knowledge about the mechanistic basis of adaptive coronary collateral growth, the biological processes to be targeted by therapeutic angiogenesis, and the optimization of clinical trial designs, including the Generx ASPIRE Phase 3 / registration study.

*Activation Therapeutics, Inc. Excellagen Commercialization*

Excellagen is a syringe-based, professional-use, pharmaceutically-formulated 2.6% fibrillar Type I bovine collagen homogenate that functions as an acellular biological modulator to activate the wound healing process and significantly accelerate the growth of granulation tissue. Excellagen's FDA clearance provides for very broad labeling including partial and full-thickness wounds, pressure ulcers, venous ulcers, diabetic ulcers, chronic vascular ulcers, tunneled/undermined wounds, surgical wounds (donor sites/graft, post-Mohs surgery, post-laser surgery, podiatric, wound dehiscence), trauma wounds (abrasions, lacerations, second-degree burns and skin tears) and draining wounds. Excellagen is intended for professional use following standard debridement procedures in the presence of blood cells and platelets, which are involved with the release of endogenous growth factors. Excellagen's unique fibrillar Type I bovine collagen homogenate formulation is topically applied through easy-to-control, pre-filled, sterile, single-use syringes and is designed for application at only one-week intervals. For more information, visit [www.excellagen.com](http://www.excellagen.com).

Distribution agreement with Kasiak Holdings AG for the marketing and sale of Excellagen in Germany and Switzerland.

Distribution agreement with AvKARE Inc., the Company's new sales and distribution partner for Excellagen in Veterans Hospitals and other governmental medical facilities throughout the United States. The new agreement and commercialization arrangement with AvKARE effectively replaces an earlier arrangement with Academy Medical, LLC. Cardium elected to transfer the Excellagen distribution responsibilities to AvKARE, which provides five direct wound care experts and allows Cardium's 25 distributor representatives access to all government accounts. AvKARE services a diverse customer base that includes government (federal, state and municipal) and commercial sectors

New FDA 510(k) clearance submission for the Company's current FDA-cleared Excellagen to reflect additional and specific structural and functional properties based on the Company's supplemental research and development activities.

Collaboration agreement with researchers at Boston Children's Hospital, to assess the medical utility of Excellagen as a delivery scaffold to seed autologous mesenchymal fetal stem cells for ex-vivo engineering of tissue grafts for transplantation into infants to repair prenatally diagnosed birth defects.

Agreement with Orbsen Therapeutics Ltd and the National University of Ireland, Galway, to utilize Excellagen as a delivery agent for Orbsen's proprietary stromal cell therapy in pre-clinical studies for the potential treatment of diabetic foot ulcers.

Presentation at the Symposium on Advanced Wound Care Spring 2013 Meeting highlighting Excellagen's capability of promoting rapid granulation and complete wound dehiscence and healing in three difficult and complex post-surgical wounds, including Mohs surgery.

ISO 13485:2003 certification (a requirement for CE marking) for Excellagen by BSI, one of the world's leading certification bodies, was received in first quarter 2013. With the completion of ISO certification, the Company reported that it had completed its initial submission of required documentation, including the technical file and design dossier for its CE mark application. The Company recently reported that since the initial submission, it has received requests for supplemental information from BSI. Based on the current status, all information requested has been provided to BSI and the Company believes this process should lead to CE mark certification for Excellagen.

*To Go Brands Integration and Expansion*



## Edgar Filing: Cardium Therapeutics, Inc. - Form 10-Q

Since 2007, To Go Brands has been making healthy, great tasting and anti-oxidant-rich phytonutrients and nutraceutical supplements in an array of easy use formats, including drink mixes, chews, powders and capsules, to empower busy lifestyles in today's fast-paced, tech-driven world. The Go Active! product line includes High Octane®, Green Tea Energy Fusion®, Acai Natural Energy Boost®, and Neo-Energy®. The Go Healthy! product line includes Greens to Go®, Extreme Berries to Go®, Healthy Belly®, VitaRocks®, and Neo-Chill®. Go Trim! products include Smoothie Complete®, Trim Energy Green Coffee Bean®, Trim Energy®, and Neo-Carb Bloc®. To Go Brands products are sold through mass, food and drug channels at retailers including Target, Whole Foods, Sprouts, Kroger, GNC, RiteAid, Jewel-Osco, Ralph's Supermarkets, Vitamin World, Meijer, Fred Meyer, King Soopers, and the Vitamin Shoppe, as well as directly from the company's web-based store. To learn more about To Go Brands, visit [www.togobrand.com](http://www.togobrand.com).

We announced that To Go Brands® expanded its VitaRocks® kids vitamins product line and that retail distribution of the newly-designed products is being broadened into select nationwide Target stores.

We also announced that because of the unique manufacturing process of To Go Brands' VitaRocks platform, we now have the flexibility to expand the product line into formulas that could include enzymes, electrolytes, amino acids, vitamins and minerals, as well as nutrients, and into other applications including OTC drugs.

---

## **Table of Contents**

### *LifeAgain Insurance Solutions Product Development*

During the third quarter, LifeAgain Insurance Solutions, Inc., Cardium's newly-formed advanced medical data analytics business focused on the development, marketing and sale of survivable risk term life insurance programs, and AgencyONE, its commercialization partner, entered into agreements to market and sell term life insurance issued by Symetra Life Insurance Company under LifeAgain's BlueMetric Select term life insurance program for men with active localized prostate cancer. The BlueMetric Select program was developed based on LifeAgain's Advanced Medical Data Analytics Platform Technology (ADAPT) and was specifically designed to provide eligible men with term life insurance coverage following a prostate cancer diagnosis or upon the completion of a prostate cancer surgery, without the traditional multi-year waiting periods and additional medical re-qualifications generally required by most life insurance companies.

The BlueMetric Select program has been designed for men aged 45-65, who are in otherwise good health and who have low- to medium-risk active localized prostate cancer, which has been confirmed by a recent biopsy, and for men who have recently completed prostate cancer surgery. This program seeks to provide term life insurance coverage and may include an automatic renewal option (following the initial ten-year term), the right to convert into universal life insurance, and an accelerated benefit in the event of a terminal illness. The BlueMetric Select Program is designed to offer substantial coverage levels, ranging from \$100,000 to \$1,000,000, without waiting periods, so an individual can begin the application process on the day of his prostate cancer diagnosis, or immediately following completion of prostate cancer surgery. Additional information is at [www.lifeagain.com](http://www.lifeagain.com).

LifeAgain's proprietary Advanced Medical Data Analytics Platform Technology enables a scalable, actuarial-based risk assessment based on a diagnostic histological biopsy or a prostate cancer surgery. Together with an applicant's overall health, these factors may be used to support favorable underwriting decisions and to establish appropriate premium pricing based on the level of prostate cancer progression of each applicant. LifeAgain is developing additional new and innovative insurance solutions for other medical conditions currently considered uninsurable by traditional underwriters.

In April 2013 we entered into a financing transaction involving the sale of newly authorized Series A Convertible Preferred Stock. Details of the financing transaction are discussed in [Liquidity and Capital Resources](#) below.

On November 15<sup>th</sup> 2013, subsequent to the period covered by this report, we sold our To Go Brands® business to Healthy Brands Collective® in exchange for a \$2.5 million equity stake in Healthy Brands preferred stock and the assumption of approximately \$300,000 of liabilities. Details of the sale transaction are discussed in [Liquidity and Capital Resources](#).

### **Critical Accounting Policies and Estimates**

Our condensed consolidated financial statements included under Item 1 in this report have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The preparation of our financial statements in accordance with GAAP requires that we make estimates and assumptions that affect the amounts reported in our financial statements and their accompanying notes.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. The most significant estimates include reserve for product returns, reserve for inventory, and valuing options and warrants using option pricing models. These policies require the application of significant judgment by our management. We base our estimates on our historical experience, industry standards, and various other assumptions that we believe are reasonable under the circumstances.

Our significant accounting policies are described in the notes to our financial statements.

### **Results of Operations**

#### **Three months ended September 30, 2013 compared to September 30, 2012.**

Revenues for the three months ended September 30, 2013 were \$471,566, primarily from sales of our To Go Brands product lines, along with sales of Excellagen as further described in Note 10 to our consolidated financial statements. For the three months ended September 30, 2012 sales were \$5,589 and were attributable to our initial distribution of our Medpodium Nutra-Apps nutraceutical products. The increase of \$465,977 was principally attributable to the purchase of To Go Brands in September 2012.

## Edgar Filing: Cardium Therapeutics, Inc. - Form 10-Q

Research and development expenses for the three months ended September 30, 2013 were \$315,178 compared to \$508,342 for the same three month period last year. The decrease of \$193,164 was the result of decreased costs associated with our Generx ASPIRE study in Russia based on timing of milestone payments and reduced development costs associated with Excellagen.

Selling, general and administrative expenses for the three months ended September 30, 2013 were \$1,636,871 compared to \$1,389,731 for the three months ended September 30, 2012. The \$247,140 increase was primarily due to the inclusion of \$370,000 of costs associated with To Go Brands, Inc. operations acquired in September 2012, offset by decreases in advertising, and professional fees.

Net loss for the three months ended September 30, 2013 was \$1,769,005, compared to a net loss of \$1,894,920 for the same period in the prior year. The decrease in net loss was primarily attributable to the decreases in Excellagen development costs and spending controls put in place partially offset by losses generated by To Go Brands.

### **Nine months ended September 30, 2013 compared to September 30, 2012.**

Revenues for the nine months ended September 30, 2013 were \$1,655,342, primarily from sales of our To Go Brands product lines, along with sales of Excellagen as further described in Note 10 to our consolidated financial statements. For the nine months ended September 30, 2012 sales were \$39,241 attributable to our distribution of our MedPodium Nutra-Apps nutraceutical products. The increase of \$1,616,100 was principally attributable to the purchase of To Go Brands in September 2012.

---

## **Table of Contents**

Research and development expenses for the nine months ended September 30, 2013 were \$1,566,988 compared to \$2,097,675 for the same nine month period last year. The decrease of \$530,687 was the result of decreases in expenses related to the development of our Excellagen product candidates, savings in travel and consulting costs offset by increased costs associated with our Generx ASPIRE study in Russia. Research and development expenses for the nine months ended September 30, 2013 included \$350,000 associated with milestone payments and out of pocket costs of ASPIRE study and \$100,000 of product and testing costs used to validate a production volume and cost efficiency improvement for Excellagen.

Selling, general and administrative expenses for the nine months ended September 30, 2013 were \$5,258,129 compared to \$4,358,706 for the nine months ended September 30, 2012. The \$899,423 increase was primarily due to the inclusion of \$1,176,000 of costs associated with To Go Brands, Inc. operations offset by decreases in advertising, insurance, investor relations and professional fees.

We derive interest income from the investment of our available cash in various short-term obligations, such as certificates of deposit, commercial paper and money market funds. Interest income for the nine months ended September 30, 2013 was \$217 compared to \$5,885 for the same nine month period last year. Interest expense for the nine months ended September 30, 2013 was \$1,438 and \$2,114 at September 30, 2012.

Net loss for the nine months ended September 30, 2013 was \$6,148,908, roughly unchanged from a net loss of \$6,364,403 in the same period for the prior year.

## **Liquidity and Capital Resources**

As of September 30, 2013 we had \$585,201 in cash and cash equivalents and our working capital was \$679,380.

Net cash used in operating activities was \$5,458,000 for the nine months ended September 30, 2013 compared to \$7,068,000 for the nine months ended September 30, 2012. The decrease in net cash used in operating activities was due primarily to an increase in product sales, and decreases in testing and process validation costs for the initial inventory of our Excellagen topical treatment gel. Since inception, our operations have consumed substantial amounts of cash and we have had only limited revenues. From inception (December 22, 2003) to September 30, 2013, net cash used in operating activities amounted to \$99,752,000.

Our primary source of liquidity has been cash flows from financing activities and in particular proceeds from sales of our debt and equity securities. Net cash provided by financing activities was \$3,743,000 for the nine months ended September 30, 2013. This included the sale of 4,012 shares of Series A Convertible Preferred Stock with net proceeds of \$3,692,000, and 343,749 shares of common stock in at-the-market transactions in the first quarter for net proceeds of \$65,743. From inception (December 22, 2003) to September 30, 2013 net cash provided by financing activities amounted to \$102,923,000.

Net cash used in investing activities for the nine months ended September 30, 2013 was \$28,000. Net cash used in investing activities since inception amounted to \$2,585,000. At September 30, 2013 we did not have any significant capital expenditure requirements.

In April 2013, we entered into a securities purchase agreement with one of our institutional investors pursuant to which we agreed to sell to the investor an aggregate of 4,012 shares of our newly authorized Series A Convertible Preferred Stock, for a total purchase price of \$4.0 million. No warrants were issued in connection with this offering, other than placement agent warrants. The securities purchase agreement provided for the sale of Series A Convertible Preferred Stock in two closings. Upon consummation of the financing, which was subject to exchange and other approvals, the initial closing under the securities purchase agreement took place in April 2013. At that closing we sold 2,356 shares of Series A Convertible Preferred Stock for net proceeds of \$2,160,000. A second closing for the remaining 1,656 shares was completed following the shareholder approval of the offering of the Series A Convertible Preferred Stock and the reverse stock split on July 18, 2013 with net proceeds of \$1,532,000.

Our business model is designed to develop a diversified portfolio of product opportunities and businesses, leveraging our skills in late-stage product development in order to bridge the critical gap between promising new technologies and readiness for commercialization and then to partner or monetize such product opportunities or businesses with established organizations capable of advancing their commercialization. Consistent with our business model and long-term strategy, we have already advanced and monetized a first business unit, InnerCool Therapies, Inc., which was sold to Philips Electronics North America Corporation.

We now have four additional business units in our portfolio: (1) Angionetics Biologics, which includes Cardium's late-stage DNA-based Generx<sup>®</sup> cardiovascular biologic product candidate; (2) Activation Therapeutics, which includes the Company's regenerative medicine wound healing technology platform, including its Excellagen<sup>®</sup> advanced wound care product; (3) To Go Brands<sup>®</sup>, which includes the Company's health

## Edgar Filing: Cardium Therapeutics, Inc. - Form 10-Q

sciences and nutraceutical business; and (4) LifeAgain Insurance Solutions, Inc. which is focused on building the Company's medical data analytics technology platform.

-18-

**Table of Contents**

These portfolio companies and their business, lead product or product candidate, and current commercial status are outlined on the schedule below.

<b>Portfolio Company</b>	<b>Business Summary</b>	<b>Lead Product</b>	<b>Status</b>
Activation Therapeutics Inc.	Advanced Tissue Regeneration for Wounds & Biological Delivery Platform	Excellagen®	Initial Product FDA-Cleared
Angionetics Biologics Inc.	Cardiovascular Growth Factor Therapeutics	Generx® Product Candidate	Phase 3 Registration Study
To Go Brands Inc.	Nutrition & Health Sciences	Portfolio of 30 Products	Nationwide Commercial Sales at 15,000 Retail Locations
LifeAgain Insurance Solutions Inc.	National Life Insurance Business Focused on Medical Data Analytics	BlueMetric Select Term Life Insurance	Advancing toward commercialization

During the three months ended September 30, 2013, we instituted a series of cost reduction actions that include relocation the corporate offices, reduced employee headcount and made across the board salary reductions. These measures are designed to reduce overall operating expenses. The impact of these measures will be reflected in the fourth quarter.

On November 15<sup>th</sup> 2013, subsequent to the period covered by this report, we sold our To Go Brands® business to Healthy Brands Collective®. The transaction was structured as an asset sale in exchange for a \$2.5 million equity stake in Healthy Brands preferred stock and the assumption of approximately \$300,000 of liabilities. Healthy Brands Collective® is a fast growing private company that has acquired a portfolio of eight independent brand product platforms including Cell-nique®, Cherrybrook Kitchen®, Yumnuts®, Living Harvest/Tempt®, Bites of Bliss®, High Country Kombucha® drinks and Organics European Gourmet Bakery (formerly Dr. Oetker) natural and organic baking mixes. Healthy Brands expects to make additional brand acquisitions and has previously reported plans to move forward as a public company as its business advances. Cardium will retain the trademarks and technology relating to the MedPodium nutra-apps and nutraceutical product line and will retain its investment interest in SourceOne, a leading nutraceutical and health sciences ingredient supplier.

The sale of the To Go Brands is intended to monetize that business by positioning it with a diversified, fast growing platform. Cardium's preferred stock position in Cell-nique is convertible into common stock currently representing approximately 4% of the fully-diluted common stock, it accrues an 8% annual dividend, and it comes with certain rights and preferences described in Cell-nique's articles of incorporation. Cardium could also elect to sell or otherwise monetize its preferred stock position in Cell-nique in one or more transactions. The transaction also includes the transfer of certain operating expenses and liabilities to Health Brands Collective, which will further reduce the Company's operating expenses. A Form 8-K will be filed within four days of the sale which will include the required pro forma financial statements reflecting the impact of the transaction.

We intend to consider additional corporate development transactions designed to place our product candidates or businesses into larger organizations or with partners having existing commercialization, sales and marketing resources, and a need for innovative products. Such transactions could involve the sale, partnering or other monetization of particular product opportunities or businesses. In parallel, as our businesses are advanced and corresponding valuations established, we plan to pursue new product opportunities and acquisitions with strong value enhancement potential.

While we may partner or monetize one or more of our product opportunities or businesses consistent with our business model, the timing and success of those transactions cannot be assured and negative cash flow from operations are expected to continue for the foreseeable future. In order to maintain operations and liquidity, we expect we will need to complete a monetization of one or more product opportunities or business units, and/or complete a financing, before end of year. Our principal business objective in the near term is to complete an additional strategic licensing agreement to advance sales of the Excellagen product family, enter into a distribution arrangement to advance sales of our To Go Brands nutraceuticals business, and/or another corporate transaction. If we fail to receive sufficient proceeds from the partnering, sale or other monetization of product opportunities or businesses or generate sufficient product sales, we will not generate sufficient cash flows to cover our operating expenses.

## Edgar Filing: Cardium Therapeutics, Inc. - Form 10-Q

If needed, we intend to secure any additional financings in the form of sale of equity securities. Based on recently-issued amendments to Rule 506 and Rule 144A under the Securities Act of 1933 that were implemented under Section 201(a) of the Jumpstart Our Business Startups Act (the JOBS Act), and since we do not anticipate raising additional funds under our shelf registration statement or as debt within the next 12 months, such financings may be through the sale of private equity interests to Qualified Investors or strategic partners based on the JOBS Act amendments, and/or through other private placements or a public offering of securities, which could potentially be made in the parent company or independently in one or more of our subsidiary business units.

Our history of recurring losses and uncertainties as to whether our operations will become profitable raise substantial doubt about our ability to continue as a going concern. Our condensed consolidated financial statements do not include any adjustments related to the recoverability of assets or classifications of liabilities that might be necessary should we be unable to continue as a going concern.

### **Off-Balance Sheet Arrangements**

As of September 30, 2013, we did not have any significant off-balance sheet arrangements.

### **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

Under the rules and regulations of the SEC, as a smaller reporting company we are not required to provide the information required by this item.

**Table of Contents**

**ITEM 4. CONTROLS AND PROCEDURES**

We maintain certain disclosure controls and procedures. They are designed to help ensure that material information is: (i) gathered and communicated to our management, including our principal executive and financial officers, on a timely basis; and (ii) recorded, processed, summarized, reported and filed with the SEC as required under the Securities Exchange Act of 1934, as amended.

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of September 30, 2013. Based on such evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective for their intended purpose described above.

There were no changes to our internal control over financial reporting during the quarterly period ended September 30, 2013 that have materially affected, or that are reasonably likely to materially affect, our internal control over financial reporting.



---

**Table of Contents**

**PART II OTHER INFORMATION**

**ITEM 1. LEGAL PROCEEDINGS**

As of September 30, 2013 neither Cardium nor its subsidiaries were a party to any material pending legal proceeding nor was any of their property the subject of any material pending legal proceeding. In the course of our business, however, we could become engaged in various intellectual property, product-related, and other matters in connection with the technology we develop or license and the products we develop or sell. To the extent we are not successful in defending against any adverse claims concerning our technology, business relationships or products, we could be compelled to seek licenses from one or more third parties who could be direct or indirect competitors and who might not make licenses available on terms that we find commercially reasonable or at all, or to pay other forms of compensation or expenses. In addition, any such proceedings, even if decided in our favor, involve lengthy processes, are subject to appeals, and typically result in substantial costs and diversion of resources. In the course of our business, we are also routinely involved in proceedings such as disputes involving goods or services provided by various third parties to us, which we do not consider likely to be material to us, but which can nevertheless result in costs and diversions of resources to pursue and resolve.

**ITEM 1A. RISK FACTORS**

In addition to the risk factors described below, a number of risk factors that could materially affect our business, product candidates, financial condition and results of operations are disclosed and described in our 2012 Annual Report. You should carefully consider the risks described below and under Item 1A of our 2012 Annual Report, as well as the other information in our 2012 Annual Report, this report and other reports and documents we file with the SEC, when evaluating our business and future prospects. If any of the identified risks actually occur, our business, financial condition and results of operations could be seriously harmed. In that event, the market price of our common stock could decline and you could lose all or a portion of the value of your investment in our common stock.

*We will need substantial additional capital to develop our products and for our future operations in the near term. If we are unable to obtain such funds when needed, we may have to delay, scale back or terminate our product development or our business.*

Conducting the costly and time consuming research, pre-clinical and clinical testing necessary to obtain regulatory approvals and bring our products to market will require a commitment of substantial funds in excess of our current capital. Our future capital requirements will depend on many factors, including, among others: the progress of our current and new product development programs; the progress, scope and results of our pre-clinical and clinical testing; the time and cost involved in obtaining regulatory approvals; the cost of manufacturing our products and product candidates; the cost of prosecuting, enforcing and defending against patent claims and other intellectual property rights; competing technological and market developments; and our ability and costs to establish and maintain collaborative and other arrangements with third parties to assist in potentially bringing our products to market and/or to monetize the economic value of our product portfolio.

We will need to raise substantial additional capital to fund our future operations from the sale or other monetization of product opportunities or businesses and/or from additional financing. We cannot be certain that product opportunities or businesses can be sold or otherwise monetized or that additional financing will be available on acceptable terms, or at all. To the extent we raise additional capital through the sale of equity securities or we issue securities in connection with another transaction, the ownership position of existing stockholders could be substantially diluted. Anti-dilution adjustments in our currently outstanding securities would cause further dilution. If additional funds are raised through the issuance of preferred stock or debt securities, these securities are likely to have rights, preferences and privileges senior to our common stock and may involve significant fees, interest expense, restrictive covenants and the granting of security interests in our assets. Fluctuating interest rates could also increase the costs of any debt financing we may obtain. Raising capital through a licensing or other transaction involving our intellectual property could require us to relinquish valuable intellectual property rights and thereby sacrifice long term value for short-term liquidity. If we sell or otherwise monetize one or more of our product opportunities or businesses, it could lower or actual or perceived value.

Our failure to successfully address ongoing liquidity requirements would have a substantially negative impact on our business. If we are unable to obtain additional capital on acceptable terms when needed, we may need to take actions that adversely affect our business, our stock price and our ability to achieve cash flow in the future, including possibly surrendering our rights to some technologies or product opportunities, delaying our clinical trials or curtailing or ceasing operations.

*The issuance of our Series A Convertible Preferred Stock may result in substantial dilution to holders of our common stock and may restrict our access to additional financing.*

## Edgar Filing: Cardium Therapeutics, Inc. - Form 10-Q

On April 4, 2013 we entered into a securities purchase agreement with an institutional investor to purchase up to 4,012 shares of our newly authorized Series A Convertible Preferred Stock for maximum proceeds of \$4.0 million. The Series A Convertible Preferred Stock is convertible into shares of our common stock at an initial conversion price of \$1.82 per share. The conversion price was subsequently reset at \$1.02 per share.

-21-

---

## **Table of Contents**

The offering of the Series A Convertible Preferred Stock used all of our current availability under our shelf registration statement for the next 12 months, unless the value of our unaffiliated public float rises from current levels. In connection with the offering of the Series A Convertible Preferred Stock we granted the investor certain rights of participation in future equity financings. We have also agreed not to incur specified indebtedness without the consent of the holders of the Series A Convertible Preferred Stock as long as these securities remain outstanding. These factors could restrict our ability to raise capital through equity offerings or debt offerings in the future, which could require us to seek equity financing through a new registration statement, to sell, partner or otherwise monetize assets, to seek alternative sources of funding, or to further reduce expenses.

*A delisting from the NYSE MKT could adversely affect the price of our common stock and restrict our access to capital.*

Our common stock is currently listed on the NYSE MKT (the Exchange). In order to maintain that listing, we must continue to comply with various listing standards of the Exchange, as set forth in Part 10 of the Exchange's Company Guide

Based on our quarterly report on Form 10-Q for the period ended September 30, 2012, NYSE MKT issued correspondence noting noncompliance with respect to the requirement of section 1003(a)(iv) of its Company Guide in connection with our financial condition and corresponding access to capital, based on our having reported cash and cash equivalents of \$4.5 million at quarter end, and reporting that we did not have any unused credit or other capital facilities in place at the time. The Exchange indicated that in order to maintain our NYSE MKT listing, we needed to submit a plan by December 31, 2012 outlining plans to regain compliance with Section 1003(a)(iv) of the Company Guide by March 31, 2013, which deadline was subsequently extended to June 30, 2013. Additional information and provisions regarding the NYSE MKT requirements are found in Part 10 of its Company Guide. We disputed the staff's basis for its determination of deemed noncompliance, but we submitted a plan designed to re-establish compliance with the listing requirement. On January 16, 2013 we reported that our listing compliance plan had been accepted by NYSE MKT; on April 5, 2013, we reported that the compliance period had been extended to June 30, 2013; on July 2, 2013, we reported that the compliance period had been extended to September 30, 2013; and on October 7, 2013 we reported that the compliance period had been extended to December 31, 2013.

The Exchange's notification had no current effect on the listing of our shares. Rather, we were afforded the opportunity to submit a plan pursuant to which we would seek to establish compliance with the requirements of Section 1003(a)(iv) of the Company Guide by the extended deadline of December 31, 2013. Failure to make progress consistent with the plan or to regain compliance with the continued listing standards by the end of the applicable extension periods could result in our shares being delisted from the Exchange.

If our common stock was not traded on the NYSE MKT, it would be expected to trade on the OTCMarket, an alternative regulated quotation service that provides quotes, sale prices and volume information in over-the-counter equity securities. The Company's common stock was traded on the OTC until July 2007, when the Company elected to instead list its shares on the American Stock Exchange (the predecessor to the NYSE MKT). Stock traded on the OTCMarket generally have limited trading volume and exhibit a wider spread between bid and ask prices as compared to stocks traded on the NYSE MKT.

We have relied on a universal shelf registration statement for a significant portion of the sales of our equity securities for cash over the past few years. We have a registration statement on Form S-3 on file with the SEC, and that registration statement automatically incorporates by reference our future periodic reports that we file with the SEC. Under the terms of this registration statement, we can sell shares of our common stock, or other securities linked to our common stock, at transactions from time to time. We have used the registration statement to issue shares of common stock, and recently preferred stock, from time to time in registered direct offerings. We are required to maintain our listing on a national exchange as a condition to the continued use of the shelf registration statement for primary offerings of our common stock. The OTC market is not considered a national exchange. If our listing with the NYSE MKT terminates, we will not be able to renew our shelf registration statement on Form S-3. If that were to occur, we would still be able to sell securities in registered offerings or private placements, but we would lose access to the simplified registration process that the shelf registration statement on Form S-3 provides. We expect that registration statements would take longer to get effective, and would be more costly to secure and maintain.

### **ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**

None.

### **ITEM 3. DEFAULTS UPON SENIOR SECURITIES**

None.

**ITEM 4. MINE SAFETY DISCLOSURES**

Not applicable.

**ITEM 5. OTHER INFORMATION**

None.

**Table of Contents****ITEM 6. EXHIBITS**

The following exhibit index shows those exhibits filed with this report and those incorporated by reference:

**EXHIBIT INDEX**

<b>Exhibit Number</b>	<b>Description</b>	<b>Incorporated By Reference To</b>
3.1	Certificate of Designation of Preferences Rights and Limitations of Series A Convertible Preferred Stock.	Exhibit 3.1 of the registrant's Current Report on Form 8-K filed with the SEC on April 5, 2013.
10.1	Securities Purchase Agreement dated April 4, 2013 for the purchase of Series A Convertible Preferred Stock.	Exhibit 10.1 of the registrant's Current Report on Form 8-K filed with the SEC on April 5, 2013.
31.1	Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer	Filed herewith
31.2	Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer	Filed herewith
32	Section 1350 Certification	Filed herewith.
101	The following financial statements and footnotes from the Cardium Therapeutics, Inc. Quarterly Report on Form 10-Q for the quarter ended September 30, 2013 formatted in eXtensible Business Reporting Language (XBRL): (i) Condensed Consolidated Balance Sheets; (ii) Condensed Consolidated Statements of Operations; (iii) Condensed Consolidated Statements of Cash Flows; and (iv) the Notes to Condensed Consolidated Financial Statements.	

**Table of Contents**

**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, Cardium Therapeutics, Inc., the registrant, has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: November 19, 2013

CARDIUM THERAPEUTICS, INC.

By: */s/ DENNIS M. MULROY*  
**Dennis M. Mulroy,**  
**Chief Financial Officer**

-24-