

Cardium Therapeutics, Inc.

Form 10-Q

November 14, 2007

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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

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**FORM 10-Q**  
**QUARTERLY REPORT**

**pursuant to Section 13 or 15(d)**

**of the Securities Exchange Act of 1934**

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2007

001-33635

(Commission file number)

**CARDIUM THERAPEUTICS, INC.**

(Exact name of registrant as specified in its charter)

**Delaware**  
(State of incorporation)

**27-0075787**  
(IRS Employer Identification No.)

**3611 Valley Centre Drive, Suite 525**

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

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

Indicate by check mark whether Cardium Therapeutics, Inc. (Cardium) (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that Cardium was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

☒ Yes    ☐ No

Indicate by check mark whether Cardium is a large accelerated filer, an accelerated filer, or a non-accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Large accelerated filer    ☐

Accelerated filer    ☐

Non-accelerated filer    ☒

Indicate by check mark whether Cardium is a shell company (as defined in Rule 12b-2 of the Exchange Act.):    ☐ Yes    ☒ No

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As of November 9, 2007 40,935,291 shares of Cardium's common stock were outstanding.

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**Table of Contents****PART I FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS (Unaudited)****CARDIUM THERAPEUTICS, INC.**

(a development stage company)

**Condensed Consolidated Balance Sheets**

|                                                                                                                                                              | <b>September 30, 2007<br/>(Unaudited)</b> | <b>December 31, 2006<br/>(Audited)</b> |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------|----------------------------------------|
| <b>Assets</b>                                                                                                                                                |                                           |                                        |
| Current assets:                                                                                                                                              |                                           |                                        |
| Cash and cash equivalents                                                                                                                                    | \$ 9,253,958                              | \$ 5,931,123                           |
| Accounts receivable                                                                                                                                          | 277,853                                   | 275,590                                |
| Inventory                                                                                                                                                    | 1,163,630                                 | 857,034                                |
| Prepaid expenses                                                                                                                                             | 318,143                                   | 654,448                                |
| <b>Total current assets</b>                                                                                                                                  | <b>11,013,584</b>                         | <b>7,718,195</b>                       |
| Property and equipment, net                                                                                                                                  | 1,626,960                                 | 791,277                                |
| Patented technology, net                                                                                                                                     | 4,768,419                                 | 5,327,648                              |
| Intangibles, net                                                                                                                                             | 195,325                                   | 228,338                                |
| Deposits                                                                                                                                                     | 185,740                                   | 51,965                                 |
| <b>Total assets</b>                                                                                                                                          | <b>\$ 17,790,028</b>                      | <b>\$ 14,117,423</b>                   |
| <b>Liabilities and Stockholders' Equity</b>                                                                                                                  |                                           |                                        |
| Current liabilities:                                                                                                                                         |                                           |                                        |
| Accounts payable                                                                                                                                             | \$ 2,054,544                              | \$ 989,021                             |
| Accrued liabilities                                                                                                                                          | 1,034,661                                 | 1,975,047                              |
| <b>Total liabilities</b>                                                                                                                                     | <b>3,089,205</b>                          | <b>2,964,068</b>                       |
| Commitments and contingencies                                                                                                                                |                                           |                                        |
| Stockholders' equity:                                                                                                                                        |                                           |                                        |
| Common stock, \$0.0001 par value; 200,000,000 shares authorized; issued and outstanding 40,935,291 at September 30, 2007 and 32,190,804 at December 31, 2006 | 4,093                                     | 3,218                                  |
| Additional paid-in capital                                                                                                                                   | 57,044,549                                | 35,188,957                             |
| Deficit accumulated during development stage                                                                                                                 | (42,347,819)                              | (24,038,820)                           |
| <b>Total stockholders' equity</b>                                                                                                                            | <b>14,700,823</b>                         | <b>11,153,355</b>                      |
| <b>Total liabilities and stockholders' equity</b>                                                                                                            | <b>\$ 17,790,028</b>                      | <b>\$ 14,117,423</b>                   |

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

**Table of Contents****CARDIUM THERAPEUTICS, INC.**

(a development stage company)

**Condensed Consolidated Statements of Operations****(Unaudited)**

|                                                              | Period from<br>December 22, 2003<br><br>(Inception) to |                |                                    |                 |                 |
|--------------------------------------------------------------|--------------------------------------------------------|----------------|------------------------------------|-----------------|-----------------|
|                                                              | Three Months Ended<br>September 30,                    |                | Nine Months Ended<br>September 30, |                 | September 30,   |
|                                                              | 2007                                                   | 2006           | 2007                               | 2006            | 2007            |
| Revenues                                                     | \$ 364,330                                             | \$ 134,062     | \$ 903,133                         | \$ 382,842      | \$ 1,659,270    |
| Cost of goods sold                                           | 318,934                                                | 163,114        | 823,676                            | 444,932         | 1,777,870       |
| Gross profit (loss) margin                                   | 45,396                                                 | (29,052)       | 79,457                             | (62,090)        | (118,600)       |
| Operating expenses                                           |                                                        |                |                                    |                 |                 |
| Research and development                                     | 3,243,008                                              | 3,218,652      | 9,901,087                          | 3,685,165       | 22,285,411      |
| Selling, general and administrative                          | 2,838,949                                              | 2,156,749      | 8,356,498                          | 7,956,770       | 20,002,277      |
| Amortization - intangibles                                   | 178,156                                                | 194,664        | 592,242                            | 453,566         | 1,265,472       |
| Total operating expenses                                     | 6,260,113                                              | 5,570,065      | 18,849,827                         | 12,095,501      | 43,553,160      |
| Loss from operations                                         | (6,214,717)                                            | (5,599,117)    | (18,770,370)                       | (12,157,591)    | (43,671,760)    |
| Interest income                                              | 146,748                                                | 173,497        | 461,371                            | 604,642         | 1,323,941       |
| Net loss                                                     | \$ (6,067,969)                                         | \$ (5,425,620) | \$ (18,308,999)                    | \$ (11,552,949) | \$ (42,347,819) |
| Loss per common share                                        |                                                        |                |                                    |                 |                 |
| Net loss per common share basic and diluted                  | \$ (0.15)                                              | \$ (0.17)      | \$ (0.47)                          | \$ (0.37)       |                 |
| Weighted average common shares outstanding basic and diluted | 40,928,219                                             | 31,750,482     | 38,759,118                         | 31,136,590      |                 |

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

**Table of Contents****CARDIUM THERAPEUTICS, INC.**

(a development stage company)

**Condensed Consolidated Statements of Cash Flows****(Unaudited)**

|                                                                                | <b>Nine Months Ended</b> |                 | <b>Period from</b>       |
|--------------------------------------------------------------------------------|--------------------------|-----------------|--------------------------|
|                                                                                | <b>September 30,</b>     |                 | <b>December 22, 2003</b> |
|                                                                                | <b>2007</b>              | <b>2006</b>     | <b>(Inception) To</b>    |
|                                                                                |                          |                 | <b>September 30,</b>     |
|                                                                                |                          |                 | <b>2007</b>              |
| <b>Cash Flows From Operating Activities</b>                                    |                          |                 |                          |
| Net loss                                                                       | \$ (18,308,999)          | \$ (11,552,949) | \$ (42,347,819)          |
| Adjustments to reconcile net loss to net cash used in operating activities:    |                          |                 |                          |
| Depreciation and amortization                                                  | 241,430                  | 168,853         | 501,117                  |
| Amortization - intangibles                                                     | 592,242                  | 453,566         | 1,265,472                |
| Common stock issued for services and reimbursement of expenses                 |                          |                 | 41,500                   |
| Stock based compensation expense                                               | 1,736,828                | 1,177,078       | 3,371,634                |
| In-process purchased technology                                                |                          | 1,027,529       | 1,027,529                |
| Changes in operating assets and liabilities, excluding effects of acquisition: |                          |                 |                          |
| Accounts receivable                                                            | (2,263)                  | 115,012         | (101,259)                |
| Inventory                                                                      | (306,596)                | (503,373)       | (1,066,966)              |
| Prepaid expenses                                                               | 336,305                  | 28,310          | (299,595)                |
| Deposits                                                                       | (133,775)                | (24,230)        | (159,079)                |
| Accounts payable                                                               | 1,065,523                | 557,190         | 2,006,114                |
| Accrued liabilities                                                            | (940,386)                | (408,928)       | 131,010                  |
| Net cash used in operating activities                                          | (15,719,691)             | (8,961,942)     | (35,630,342)             |
| <b>Cash Flows From Investing Activities</b>                                    |                          |                 |                          |
| In-process technology purchased from Tissue Repair Company                     |                          | (1,000,000)     | (1,000,000)              |
| Purchases of property and equipment                                            | (1,077,113)              | (351,391)       | (1,928,008)              |
| Net cash used in investing activities                                          | (1,077,113)              | (1,351,391)     | (2,928,008)              |
| <b>Cash Flows From Financing Activities</b>                                    |                          |                 |                          |
| Proceeds from officer loan                                                     |                          |                 | 62,882                   |
| Cash acquired in a merger or an acquisition                                    |                          | 51,800          | 1,551,800                |
| Proceeds from the exercise of warrants, net                                    | 26,275                   | (1)             | 524,873                  |
| Proceeds from the sale of common stock, net                                    | 20,093,364               |                 | 45,672,753               |
| Net cash provided by financing activities                                      | 20,119,639               | 51,799          | 47,812,308               |
| Net increase (decrease) in cash and cash equivalents                           | 3,322,835                | (10,261,534)    | 9,253,958                |
| Cash and cash equivalents at beginning of period                               | 5,931,123                | 21,787,869      |                          |
| Cash and cash equivalents at end of period                                     | \$ 9,253,958             | \$ 11,526,335   | \$ 9,253,958             |
| <b>Non-Cash Activity:</b>                                                      |                          |                 |                          |
| Subscription receivable for common shares                                      | \$                       | \$              | \$ 17,000                |
| Common stock issued for services                                               | \$                       | \$              | \$ 62,882                |
| Net assets acquired for the issuance of common stock (exclusive of cash)       | \$                       | \$ 5,824,000    | \$ 5,824,000             |

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

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**CARDIUM THERAPEUTICS, INC.**

**(a development stage company)**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**(Unaudited)**

**Note 1. Operations and Liquidity**

**Operations**

Cardium Therapeutics, Inc. (the Company, Cardium, we, our and us ) was organized in Delaware in December 2003. We are a medical technology company primarily focused on the development, manufacture and sale of innovative products for cardiovascular and related indications. In October 2005, we acquired a portfolio of biologic growth factors and related delivery techniques from the Schering AG Group, Germany, which we plan to develop as cardiovascular-directed growth factor therapeutics for potential use by interventional cardiologists as a one-time treatment to promote and stimulate the growth of collateral circulation in the hearts of patients with ischemic conditions such as recurrent angina. 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 the assets and technologies of 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 product candidate, Excellerate™, is initially being developed as a single administration for the treatment of non-healing, neuropathic diabetic foot ulcers. Innercool Therapies and Tissue Repair Company are each operated as a wholly-owned subsidiary of Cardium.

We are a development stage company in the initial stage of our operations. We have yet to generate positive cash flows from operations, and are essentially dependent on debt and equity funding to finance our operations. Before October 2005, cash requirements were funded by loans from executive officers. In October 2005, we sold 19,325,651 shares of our common stock in a private placement at a purchase price of \$1.50 per share and received net proceeds of \$25,542,389. In connection with the private placement, we completed a reverse merger, whereby Cardium merged with a wholly owned subsidiary of Aries Ventures Inc. ( Aries ), a publicly-traded company. As a result of these transactions, the stockholders of Cardium became the controlling stockholders of Aries. Accordingly, the acquisition of Cardium by Aries was a reverse merger. The historical financial results before the reverse merger on October 20, 2005, are those of Cardium. Aries results of operations are included in Cardium's financial results beginning October 20, 2005.

In January 2006, Aries was merged with and into Cardium, with Cardium as the surviving entity and the successor issuer to Aries. As a result, we are now in our present form a publicly-traded, Delaware corporation named Cardium Therapeutics, Inc.

On March 9, 2007, we sold 8,636,000 shares of our common stock in a private placement at a purchase price of \$2.50 per share and received net proceeds of \$20,093,364. Investors also received five-year warrants to buy up to 35% of the number of shares of common stock purchased in the private placement, at an exercise price of \$3.75 per share. Warrants to purchase approximately 3,022,600 shares of common stock, in the aggregate, were issued to such investors.

**Liquidity**

Since inception, our operations have consumed substantial amounts of cash and we have had only limited revenues. We anticipate that the negative cash flow from operations will continue. On March 9, 2007, we completed a private placement of our common stock that resulted in net proceeds to the Company of approximately \$20 million. As of September 30, 2007, we had \$9.3 million in cash and cash equivalents. On November 12, 2007, we obtained debt financing in the principal amount of \$5 million, which we intend to

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use for working capital (see note 7 below). With this financing, we believe we will be able to fund required operations for the next twelve months. However, we would also like to accelerate the study of our Generx and Excellerate product candidates and at the same time actively promote the launches of InnerCool's CoolBlue and RapidBlue product lines, for which we need to raise additional financing through the sale of equity securities, debt financing and/or strategic licensing agreements. Such additional financing may not be available on terms that are desirable or acceptable to us, or at all. If we do not raise such funds, we will not be able to accelerate our product development activities. This may negatively impact our business plans.

## **Note 2. Basis of Presentation and Summary of Significant Accounting Policies**

### **Basis of Presentation**

Our principal activities are expected to focus on the commercialization of our licensed technologies, other technologies and the expansion of our existing products. The accompanying financial statements have been prepared in accordance with Statement of Financial Accounting Standard (SFAS) No. 7, Development Stage Enterprises.

The accompanying interim unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and pursuant to the instructions to Form 10-Q and applicable rules and regulations. Certain information and footnote disclosures normally included in financial statements prepared in accordance with United States generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations. In management's opinion, all adjustments necessary for a fair presentation of the financial position, results of operations and cash flows have been included and are of a normal, recurring nature. The results of operations for the three and nine months ended September 30, 2007 are not necessarily indicative of the operating results for the full fiscal year or any future periods.

The accompanying condensed consolidated financial statements and these notes should be read in conjunction with our audited financial statements included in our Annual Report on Form 10-KSB for the year ended December 31, 2006 (2006 Annual Report). The accounting policies used to prepare the financial statements included in this report are the same as those described in the notes to the consolidated financial statements in our 2006 Annual Report unless otherwise noted below.

### **Loss Per Common Share**

Earnings per share is computed in accordance with SFAS No. 128, Earnings Per Share. SFAS No. 128 requires dual presentation of basic and diluted earnings per share.

Basic loss per common share is computed by dividing net loss by the weighted average number of common shares outstanding during the period. Diluted loss per common share is computed by dividing net loss by the weighted average number of common shares outstanding, plus the issuance of common shares, if dilutive, resulting 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 and nine months ended September 30, 2007 and 2006 because we incurred a loss during such periods and thus their inclusion would have been anti-dilutive. Accordingly, basic and diluted loss per common share is the same for all periods presented. The common stock issued and outstanding with respect to the stockholders of Aries has been included since October 20, 2005, the effective date of the reverse merger.

Potentially dilutive securities not included in diluted loss per common share consisted of outstanding stock options and warrants to acquire 11,162,277 and 8,096,819 shares of common stock as of September 30, 2007 and 2006, respectively.

### **Stock-Based Compensation**

Effective January 1, 2006, we adopted the fair value recognition provisions of SFAS No. 123 (revised 2004), Share-Based Payment (SFAS 123R), using the modified prospective transition method. Under the transition method, stock-based compensation expense is recognized (i) for all stock-based compensation awards granted before, but not yet vested as of, January 1, 2006, based on

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the grant date fair value estimated in accordance with the original provision of SFAS No. 123, Accounting for Stock-Based Compensation (SFAS 123), and (ii) for all stock-based compensation awards granted after January 1, 2006, based on the grant date fair value estimated in accordance with the provisions of SFAS 123R.

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. Total stock-based compensation expense included in the condensed consolidated statements of operations was \$576,027 and \$1,736,828 for the three and nine months ended September 30, 2007, respectively. \$793,730 was recorded as a component of research and development expenses and \$943,098 was recorded as a component of selling, general and administrative expenses. For the three and nine months ended September 30, 2006, total stock-based compensation expense included in the condensed consolidated statements of operations was \$461,976 and \$1,177,078, respectively, and was recorded as a component of selling, general and administrative expenses. As of September 30, 2007, the Company had \$4,675,933 of unvested stock-based compensation at fair value remaining to be expensed ratably over the period October 2007 through September 2017.

The fair value of the stock options and similar stock-based compensation granted is estimated on the date of grant using the Black-Scholes option valuation model. The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. Option valuation models require the input of highly subjective assumptions, including expected life and stock price volatility. The following weighted-average assumptions were used:

|                         | <b>For the Nine Months</b> |             |
|-------------------------|----------------------------|-------------|
|                         | <b>Ended September 30,</b> |             |
|                         | <b>2007</b>                | <b>2006</b> |
| Dividend yield          | 0%                         | 0%          |
| Expected life (years)   | 5.25                       | 5.25        |
| Risk-free interest rate | 4.75%                      | 4.60%       |
| Volatility              | 76%                        | 66%         |

**Income Taxes**

Effective January 1, 2007, the Company adopted the provisions of Financial Accounting Standards Board (FASB) Interpretation No. 48, Accounting for Uncertainty in Income Taxes—an interpretation of FASB Statement No. 109 (FIN 48). FIN 48 prescribes a recognition threshold and a measurement attribute for the financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more-likely-than-not to be sustained upon examination by taxing authorities. Differences between tax positions taken or expected to be taken in a tax return and the benefit recognized and measured pursuant to the interpretation are referred to as unrecognized benefits. A liability is recognized (or amount of net operating loss carry forward or amount of tax refundable is reduced) for an unrecognized tax benefit because it represents an enterprise's potential future obligation to the taxing authority for a tax position that was not recognized as a result of applying the provisions of FIN 48.

In accordance with FIN 48, interest costs related to unrecognized tax benefits are required to be calculated (if applicable) and would be classified as Interest expense, net. Penalties if incurred would be recognized as a component of Selling, general and administrative expenses.

The Company files income tax returns in the United States (federal) and in various state and local jurisdictions.

The adoption of the provisions of FIN 48 did not have a material impact on the Company's condensed consolidated financial position and results of operations. As of January 1, 2007 and September 30, 2007, no liability for unrecognized tax benefits was required to be recorded.

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The Company recognized a deferred tax asset of approximately \$17 million as of September 30, 2007, primarily relating to net operating loss carryforwards of approximately \$ 38 million ( excluding net operating losses of \$71 million that represent pre-merger losses for which the use is limited in accordance with Section 382 of the Internal Revenue Code of 1986, as amended), available to offset future taxable income through 2027.

The ultimate realization of deferred tax assets depends on the generation of future taxable income during the periods in which those net operating losses are available. The Company considers projected future taxable income and tax planning strategies in making its assessment. At present, the Company does not have a sufficient history of income to conclude that it is more-likely-than-not that the Company will be able to realize all of its tax benefits in the near future and therefore a valuation allowance was established for the full value of the deferred tax asset.

A valuation allowance will be maintained until sufficient evidence exists to support the reversal of any portion or all of the valuation. Should the Company be profitable in future periods with supportable trends, the valuation allowance will be reversed accordingly.

### Note 3. Property and Equipment

Property and equipment, net consisted of the following:

|                                           | September 30,<br>2007 | December 31,<br>2006 |
|-------------------------------------------|-----------------------|----------------------|
| Computer and telecommunication equipment  | \$ 657,077            | \$ 528,447           |
| Machinery and equipment                   | 513,187               | 135,225              |
| Office equipment                          | 27,595                | 27,595               |
| Instrumentation                           | 115,421               | 84,000               |
| Office furniture and equipment            | 249,159               | 275,697              |
|                                           | 1,562,439             | 1,050,964            |
| Accumulated depreciation and amortization | (501,117)             | (259,687)            |
|                                           | 1,061,322             | 791,277              |
| Construction in progress                  | 565,638               |                      |
| Property and equipment, net               | \$ 1,626,960          | \$ 791,277           |

Depreciation and amortization of property and equipment totaled \$60,850 and \$241,430 for the three and nine months ended September 30, 2007, respectively. For the three and nine months ended September 30, 2006, depreciation and amortization of property and equipment totaled \$71,691 and \$168,853, respectively, and \$501,117 for the period from December 22, 2003 (date of inception) through September 30, 2007.

### Note 4. Accrued Liabilities

Accrued Liabilities consisted of the following:

|                              | September 30,<br>2007 | December 31,<br>2006 |
|------------------------------|-----------------------|----------------------|
| Accrued consulting expense   | \$ 72,226             | \$ 37,500            |
| Accrued legal expenses       | 463,144               | 70,933               |
| Accrued expenses, other      | 499,291               | 462,470              |
| Accrued payroll and benefits |                       | 1,404,144            |
| Total                        | \$ 1,034,661          | \$ 1,975,047         |

### Note 5. Employment Agreements

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The two executive founders of Cardium entered into formal two-year employment agreements with the Company on October 20, 2005. The agreements provided for their combined base annual compensation in an amount initially equal to \$675,000, as such amount may be adjusted from time to time by the Company's Board of Directors. Effective as of March 16, 2007, the Compensation Committee of the Board of Directors approved an increase in their combined base annual compensation to \$708,750. If a founder is terminated without cause, the founder shall be entitled to severance pay in an amount equal to the greater of the remaining term of the contract, or one year.

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### Note 6. Stockholders' Equity

#### Common Stock

On March 9, 2007, we closed a private placement of 8,636,000 shares of common stock at a purchase price of \$2.50 per share and received net proceeds of approximately \$20 million. Investors received five-year warrants to buy up to 35% of the number of shares of common stock purchased in the private placement, at an exercise price of \$3.75 per share. Warrants to purchase approximately 3,022,600 shares of common stock, in the aggregate, were issued to such investors.

In connection with the private placement, we incurred selling commissions, and expenses payable to the placement agent, totaling approximately \$1,480,300, and legal, accounting and other fees and expenses totaling approximately \$16,300. In addition, a five-year warrant to purchase 518,160 shares of our common stock was issued to the placement agent at an exercise price of \$ 3.78 per share.

#### Option Activity

We have an equity incentive plan that was established in 2005 under which 5,665,856 shares of our common stock have been reserved for issuance to employees, non-employee directors and consultants of the Company.

During the nine months ended September 30, 2007, 355,000 options or warrants were issued to employees, non-employee directors or consultants of the Company.

The following is a summary of stock option activity under our equity incentive plan and warrants issued outside of the plan to employees and consultants, which are included below, during the nine months ended September 30, 2007:

|                                         | Number<br>of<br>Options or<br>Warrants | Weighted<br>Average<br>Exercise<br>Price | Weighted<br>Average<br>Remaining<br>Contractual<br>Life<br>(in years) | Aggregate<br>Intrinsic<br>Value |
|-----------------------------------------|----------------------------------------|------------------------------------------|-----------------------------------------------------------------------|---------------------------------|
| Balance outstanding, December 31, 2006  | 5,304,000                              | \$ 2.27                                  | 8.4                                                                   |                                 |
| Granted                                 | 355,000                                | 2.83                                     | 6.6                                                                   |                                 |
| Exercised                               |                                        |                                          |                                                                       |                                 |
| Expired                                 |                                        |                                          |                                                                       |                                 |
| Cancelled                               | (145,000)                              | 2.49                                     |                                                                       |                                 |
| Balance outstanding, September 30, 2007 | 5,514,000                              | \$ 2.29                                  | 7.6                                                                   | \$ 1,117,600                    |
| Exercisable, September 30, 2007         | 2,329,789                              | \$ 2.18                                  |                                                                       |                                 |

The following is a summary of unvested options and warrants as of September 30, 2007, and changes during the nine months ended September 30, 2007.

|                                                 | Number of<br>Options or<br>Warrants | Weighted<br>Average<br>Grant Date<br>Fair Value |
|-------------------------------------------------|-------------------------------------|-------------------------------------------------|
| Unvested balance outstanding, December 31, 2006 | 4,234,053                           | \$ 1.40                                         |
| Granted                                         | 355,000                             | 1.93                                            |

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|                                                  |             |         |
|--------------------------------------------------|-------------|---------|
| Vested                                           | (1,259,842) | 1.36    |
| Expired                                          |             |         |
| Cancelled                                        | (145,000)   | 1.52    |
| Unvested balance outstanding, September 30, 2007 | 3,184,211   | \$ 1.47 |

**Table of Contents***Warrants*

On March 9, 2007, we sold 8,636,000 shares of our common stock in a private placement at a purchase price of \$2.50 per share and received net proceeds of \$20,093,364. Investors received five-year warrants to buy up to 35% of the number of shares of common stock purchased in the private placement, at an exercise price of \$3.75 per share. Warrants to purchase approximately 3,022,600 shares of common stock, in the aggregate, were issued to such investors. In addition, a five-year warrant to purchase 518,160 shares of our common stock was issued to the placement agent at an exercise price of \$ 3.78 per share.

The following table summarizes warrant activity for the nine months ended September 30, 2007:

|                                            | Number<br>of<br>Warrants | Exercise<br>Price | Weighted<br>Average<br><br>Remaining<br>Contractual<br>Life<br>(in years) |
|--------------------------------------------|--------------------------|-------------------|---------------------------------------------------------------------------|
| Balance outstanding, December 31, 2006     | 2,307,853                | \$ 1.50 - \$1.75  | 2 - 4                                                                     |
| Warrants issued                            | 3,540,760                | 3.75 - 3.78       | 4                                                                         |
| Warrants exercised                         | (108,487)                | 1.50              | 3                                                                         |
| Warrants expired                           |                          |                   |                                                                           |
| Warrants cancelled                         | (91,849)                 | 1.50              | 3                                                                         |
| Balance outstanding, September 30, 2007    | 5,648,277                | \$ 1.50 3.78      | 1 - 4                                                                     |
| Warrants exercisable at September 30, 2007 | 5,648,277                | \$ 1.50 3.78      | 1 - 4                                                                     |

The table above does not include warrants issued to employees and consultants described and included under *Option Activity* above.

**Note 7. Subsequent Events**

On November 12, 2007, Cardium, Innercool Therapies, Inc. and Tissue Repair Company entered into a Loan and Security Agreement with Life Sciences Capital, LLC, whereby we obtained debt financing in the principal amount of \$5 million to be used for general working capital purposes. The loan bears interest at a fixed rate equal to 9.08% per annum, has a maturity date of November 1, 2010, and is secured by all of our assets, including our intellectual property. The loan is due and payable in monthly installments beginning December 1, 2007 in the approximate amount of \$159,184. The loan is subject to a prepayment fee equal to 4% of the principal amount prepaid for any prepayment during the first year of the loan, 3% for any prepayment during the second year of the loan, and 1% for any prepayment thereafter. The loan requires that we receive net proceeds of at least \$25 million, in the aggregate, from the sale of equity securities, licensing transactions, collaborative ventures and/or the disposition of assets outside the ordinary course of business before June 30, 2008. In connection with the loan, we paid Life Sciences Capital, LLC a loan commitment fee of \$100,000 and issued a warrant of Life Sciences Capital, LLC to purchase 93,333 shares of our common stock at an exercise price of \$3.75 per share. The warrant is exercisable on ten days prior notice and expires on November 12, 2012.

We have entered into an Office Lease with Paseo Del Mar CA, LLC, effective as of November 19, 2007, for the lease of approximately 11,184 square feet of office space in San Diego, California to be used as Cardium's corporate headquarters. The lease term is expected to commence in the first quarter of 2008 and will have a term of 64 months from the commencement date with an option to renew for an additional five years. Monthly base rent is approximately \$46,972 during the first year of the lease and increases to \$48,650 in the second year. In addition to monthly base rent, we are also required to pay our proportionate share of any excess building operating expenses. In connection with entering into the lease, we paid a security deposit of \$55,808 and are required to deliver a \$500,000 letter of credit to the landlord. The letter of credit is subject to annual reductions during the original term of the lease. The lease provides for a tenant improvement allowance of approximately \$615,120 and grants us a right of first refusal on an additional 3,253 square feet of space within the building.

**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, 2007. 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 in our 2006 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.

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### **Executive Overview**

*The following overview does not address all of the matters covered in the other sections of this Item 2 or other items in this report or contain all of the information that may be important to our stockholders or the investing public. This overview should be read in conjunction with the other section of this Item 2 and this report.*

We are a medical technology company primarily focused on the development and commercialization of novel biologic therapeutics and medical devices for cardiovascular and ischemic disease. Building upon our core products and product candidates, our strategic goal is to develop a portfolio of medical products at various stages of development and secure additional financial resources to commercialize these products in a timely and effective manner. The key elements of our strategy are to:

advance the Phase 3 AWARE clinical study for Generx™;

initiate a Phase 2b clinical study for Excellerate™ in the second half of 2007;

accelerate the development and sales of Innercool's endovascular patient temperature modulation system and, at the same time, broaden and expand our therapeutic hypothermia technology into other medical indications and applications;

leverage our financial resources and focused corporate infrastructure through the use of contract manufacturers to produce clinical supplies and a contract research organization to manage or assist planned clinical studies;

advance the pre-clinical development of Corgentin and potentially seek partnering opportunities for the Corgentin and Genvascor product candidates;

broaden and expand our product base and financial resources through other corporate development transactions in an attempt to enhance stockholder value, which could include acquiring other companies or product opportunities and/or securing additional capital; and

monetize the economic value of our product portfolio by establishing strategic collaborations at appropriate valuation inflection points.

We plan to continue to build our business through internal development and external acquisitions. As an emerging public company, we have initially focused on acquiring undervalued opportunities having unrealized value but which we believe have potential for significant future growth and development or partnering prospects when combined with the skills and perspectives of our experienced management team.

To the extent our current products and product candidates become successfully advanced, we intend to continue to pursue opportunistic acquisitions designed to enhance long-term stockholder value. At the same time, as technologies and product candidates are advanced and businesses are built-up, further developed and mature, we may consider various corporate development transactions to enhance and monetize stockholder value such as corporate partnerings, spin-out transactions and equity distributions.

We recognize that the practical realities of developing therapeutic products in the current regulatory environment require sizable financial investment. In view of this, we plan to pursue clinical development strategies intended to facilitate collaborations and partnerships for joint development of our products at appropriate valuation inflection points during their clinical development cycle.

More detailed information about our products, product candidates and our intended efforts to develop our products is included in our 2006 Annual Report.

**Critical Accounting Policies and Estimates**

The preparation of our financial statements requires that we make estimates and assumptions that affect the amounts reported in our financial statements and their accompanying notes. We have identified certain policies that we believe are important to the portrayal of our financial condition and results of operations. 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. Actual results could differ from these estimates under different assumptions or conditions. An adverse effect on our financial condition, changes in financial condition, and results of operations could occur if circumstances change that alter the various assumptions or conditions used in such estimates or assumptions.

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Our significant accounting policies are described under Item 7 of our 2006 Annual Report and in the notes to the condensed consolidated financial statements included in this report.

### **Results of Operations**

Revenues for the three months ended September 30, 2007 were \$364,000 compared to revenues of \$134,000 for the three months ended September 30, 2006. For the nine months ended September 30, 2007 revenues were \$903,000 compared to revenues for the nine months ended September 30, 2006 of \$383,000. The increase in revenues for the nine months of 2007 when compared to the same period last year was primarily due to an increase in customer sites utilizing Innercool's temperature modulation systems along with the timing of our acquisition of Innercool Therapies, Inc. and its Celsius Control System in March 2006. Before March 2006, we had no products available for sale or use. Thus, the amounts for the nine months ended September 30, 2006, reflect only seven months of revenues. In addition, Tissue Repair Company, which we acquired in August 2006, generated \$131,000 in grant revenue during the nine month period ended September 30, 2007. Cost of goods sold for the three months ended September 30, 2007 were \$319,000 compared to \$163,000 for the three months ended September 30, 2006. For the nine months ended September 30, 2007 cost of goods sold were \$824,000 compared to \$445,000 for the nine months ended September 30, 2006. The increase in the cost of goods sold is directly related to the increase in revenues from the Innercool Therapies products.

Research and development expenses for the three months ended September 30, 2007 were \$3,243,000 compared to \$3,219,000 for the same period last year. For the nine months ended September 30, 2007 and 2006 research and development costs were \$9,901,000 and \$3,685,000, respectively. The increase of \$6.2 million over the same nine month period last year was primarily due to our efforts to advance our lead product candidate, Generx, to a Phase 3 clinical trial (AWARE), to develop and launch a next-generation console for the Celsius Control System, and to advance our Excellerate product candidate acquired in the Tissue Repair Company acquisition to a Phase 2b clinical study. In the first half of 2006, we classified our clinical staff as general and administrative expense, as they were then focused on the technology transfer from Schering AG Group, Germany. As they have transitioned to development activities and clinical studies for our product candidates, we now include their related expenses in research and development. Because we did not acquire Innercool Therapies and its Celsius Control System until March 2006, research and development expenses for the nine months ended September 30, 2006 include only seven months of expenses related to Innercool Therapies and the development of its products. Similarly, due to the timing of the Tissue Repair Company acquisition in August 2006, research and development expenses for the three and nine months ended September 30, 2006 only include one and a half months of any expenses related to the development of Tissue Repair Company's products.

Selling, general and administrative expenses for the three months ended September 30, 2007 were \$2,839,000 compared to \$2,157,000 for the three months ended September 30, 2006. For the nine months ended September 30, 2007 and 2006 selling, general and administrative expenses were \$8,356,000 and \$7,957,000, respectively. The \$399,000 increase in selling, general and administrative expenses from the comparable nine month period last year was due in part to the classification of expenses related to our clinical staff as general and administrative expense in the first half of 2006, as described above, which was more than offset by selling, general and administrative expenses related to our Innercool Therapies and Tissue Repair Company subsidiaries acquired during 2006.

Amortization of intangibles for the three months ended September 30, 2007 was \$178,000, as compared to \$195,000 of amortization recorded in the three months ended September 30, 2006. Amortization expense for the nine months ended September 30, 2007 and 2006 was \$592,000 and \$454,000, respectively. The increase of \$138,000 for the nine months ended September 30, 2007 compared to the previous year was in connection with our acquisition of Innercool Therapies as we recorded patented technology and other intangibles and is due to the timing of our acquisition of Innercool Therapies in March 2006.

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 three months ended September 30, 2007 was \$147,000 compared to \$173,000 for the same three month period last year. For the nine months ended September 30, 2007 interest income was \$461,000 compared to \$605,000 for the nine months ended September 30, 2006. The \$144,000 decrease in interest income for the nine months

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when compared to the same period last year is directly related to the decrease in cash available for investment as we used the proceeds from our October 2005 private placement to fund operations, partially offset by the investment of the proceeds received from the private placement we completed in March 2007.

### **Liquidity and Capital Resources**

Our primary source of liquidity has been cash flows from financing activities and in particular proceeds from the sale of our common stock. Net cash provided by financing activities was \$20,127,000 for the nine months ended September 30, 2007, and was from proceeds we received from the sale of our common stock, net of issuance costs. Net cash used in operating activities was \$15,720,000 for the nine months ended September 30, 2007 compared to \$8,962,000 for the same nine month period last year. The increase in net cash used in operating activities was due primarily to an increase in expenditures for research and development and the spending associated with the acquisitions of Innercool Therapies and Tissue Repair Company. During the nine months ended September 30, 2007, we purchased \$1,077,000 of property and equipment and leasehold improvements for our new Tech Center facility.

Since inception, our operations have consumed substantial amounts of cash and we have had only limited revenues. We anticipate that the negative cash flow from operations will continue. On March 9, 2007, we completed a private placement of our common stock that resulted in net proceeds to the Company of approximately \$20 million. As of September 30, 2007, we had \$9.3 million in cash and cash equivalents. On November 12, 2007, we obtained debt financing in the principal amount of \$5 million, which we intend to use for working capital (see note 7 of the financial statements). With this financing, we believe we will be able to fund required operations for the next twelve months. However, we would also like to accelerate the study of our Generx and Excellerate product candidates and at the same time actively promote the launches of InnerCool's CoolBlue and RapidBlue product lines, for which we need to raise additional financing through the sale of equity securities, debt financing and/or strategic licensing agreements. Such additional financing may not be available on terms that are desirable or acceptable to us, or at all. If we do not raise such funds, we will not be able to accelerate our product development activities. This may negatively impact our business plans.

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

As of September 30, 2007, we did not have any significant off-balance sheet debt nor did we have any transactions, arrangements, obligations (including contingent obligations) or other relationships with any unconsolidated entities or other persons that have or are reasonably likely to have a material current or future effect on financial condition, changes in financial condition, results of operations, liquidity, capital expenditures, capital resources, or significant components of revenue or expenses material to investors. As of September 30, 2007, we did have operating lease obligations of \$2,048,000 extending through 2011.

### **Special Note About Forward-Looking Statements**

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

future financial and operating results;

our ability to fund operations and business plans;

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the timing, conduct and outcome of discussions with regulatory agencies, regulatory submissions and clinical trials;

the performance of Innercool's Celsius Control System™, Generx™, Excellerate™ and other product candidates and their potential to attract development partners and/or generate revenues;

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

the development or commercialization of competitive products or medical procedures;

our development of new products and product candidates;

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

the outcome of litigation matters;

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

the 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 or devices or to provide services of an acceptable quality on a cost-effective basis;

our personnel, consultants and collaborators;

operations outside the United States;

current and future economic and political conditions;

overall industry and market performance;

the impact of accounting pronouncements;

management's goals and plans for future operations; and

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

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The forward-looking statements in this report speak only as of the date of this report and caution should be taken not to place undue reliance on any such forward-looking statements. Forward-looking statements are subject to certain events, risks, and uncertainties that may be outside of our control. When considering forward-looking statements, you should carefully review the risks, uncertainties and other cautionary statements in this report as they identify certain important factors that could cause actual results to differ materially from those expressed in or implied by the forward-looking statements. These factors include, among others, the risks described under Item 1A of Part II and elsewhere in this report and in our 2006 Annual Report, as well as in other reports and documents we file with the SEC.

Unless the context requires otherwise, all references in this report to the Company, Cardium, we, our, and us refer to Cardium Therapeutics, and, as applicable, Innercool Therapies, Inc., and Tissue Repair Company, each a wholly-owned subsidiary of Cardium.

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

We are exposed to a limited level of market risk, which is the potential loss arising from adverse changes in market rates and prices, such as interest rates, due to the investment of our available cash in various instruments. The goal of our investment activities is to preserve principal while seeking to increase income received on our investments without significantly increasing risk. In the normal course of business, we employ established policies and procedures to manage our exposure to changes in the fair value of our investments. We generally do not, however, enter into derivatives or other financial instruments for trading or speculative purposes or to otherwise manage our exposure to interest rate changes. Generally, we seek to limit our exposure to risk by investing substantially in short-term, investment grade securities, such as commercial paper, certificates of deposit and money market funds. The amount of interest income we receive on our investments will vary with changes in the general level of interest rates in the United States, generally decreasing as interest rates decrease and increasing as interest rates increase.

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While we cannot predict with any certainty our future exposure to fluctuations in interest rates or other market risks or the impact, if any, such fluctuations may have on our future business, consolidated financial condition, results of operations or cash flows, due to the short-term, investment grade nature of our investments, we do not believe our exposure to market risk is material.

### **ITEM 4. CONTROLS AND PROCEDURES**

We maintain certain disclosure controls and procedures. They are designed to help ensure that material information is: (1) gathered and communicated to our management, including our principal executive and financial officers, on a timely basis; and (2) 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, 2007. 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 controls during the quarterly period ended September 30, 2007 that have materially affected, or that are reasonably likely to materially affect, our internal controls.

## **PART II OTHER INFORMATION**

### **ITEM 1. LEGAL PROCEEDINGS**

From time to time, we may become involved in various investigations, claims and legal proceedings that arise in the ordinary course of our business. These matters may relate to intellectual property, employment, tax, regulation, contract or other matters. The resolution of these matters as they arise will be subject to various uncertainties and, even if such claims are without merit, could result in the expenditure of significant financial and managerial resources.

As of November 9, 2007, 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. We anticipate, however, that we will be regularly engaged in various patent prosecution and related matters in connection with the technology we develop and/or license. To the extent we are not successful in defending against any adverse claims concerning our technology, 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. 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.

### **ITEM 1A. RISK FACTORS**

There have been no material changes from the risk factors previously disclosed in our 2006 Annual Report. You should carefully consider the risks described under Item 6 of our 2006 Annual Report, as well as the other information in our 2006 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.

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

During the quarterly period ended September 30, 2007, we did not sell any unregistered securities.

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

None.



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None

**ITEM 5. OTHER INFORMATION**

On November 12, 2007, Cardium, Innercool Therapies, Inc. and Tissue Repair Company entered into a Loan and Security Agreement with Life Sciences Capital, LLC, whereby we obtained debt financing in the principal amount of \$5 million to be used for general working capital purposes. The loan bears interest at a fixed rate equal to 9.08% per annum, has a maturity date of November 1, 2010, and is secured by all of our assets, including our intellectual property. The loan is due and payable in monthly installments beginning December 1, 2007 in the approximate amount of \$159,184. The loan is subject to a prepayment fee equal to 4% of the principal amount prepaid for any prepayment during the first year of the loan, 3% for any prepayment during the second year of the loan, and 1% for any prepayment thereafter. The loan requires that we receive net proceeds of at least \$25 million, in the aggregate, from the sale of equity securities, licensing transactions, collaborative ventures and/or the disposition of assets outside the ordinary course of business before June 30, 2008. In connection with the loan, we paid Life Sciences Capital, LLC a loan commitment fee of \$100,000 and issued a warrant of Life Sciences Capital, LLC to purchase 93,333 shares of our common stock at an exercise price of \$3.75 per share. The warrant is exercisable on ten days prior notice and expires on November 12, 2012.

We have entered into an Office Lease with Paseo Del Mar CA, LLC, effective as of November 19, 2007, for the lease of approximately 11,184 square feet of office space in San Diego, California to be used as Cardium's corporate headquarters. The lease term is expected to commence in the first quarter of 2008 and will have a term of 64 months from the commencement date with an option to renew for an additional five years. Monthly base rent is approximately \$46,972 during the first year of the lease and increases to \$48,650 in the second year. In addition to monthly base rent, we are also required to pay our proportionate share of any excess building operating expenses. In connection with entering into the lease, we paid a security deposit of \$55,808 and are required to deliver a \$500,000 letter of credit to the landlord. The letter of credit is subject to annual reductions during the original term of the lease. The lease provides for a tenant improvement allowance of approximately \$615,120 and grants us a right of first refusal on an additional 3,253 square feet of space within the building.

**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>                                                                                           |
|-----------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------|
| 2.1                   | Agreement and Plan of Merger dated as of October 19, 2005 and effective as of October 20, 2005, by and among Aries Ventures Inc., Aries Acquisition Corporation and Cardium Therapeutics, Inc. | Exhibit 2.1 of our Current Report on Form 8-K dated October 20, 2005, filed with the commission on October 26, 2005           |
| 2.2                   | Certificate of Merger of Domestic Corporation as filed with the Delaware Secretary of State on October 20, 2005                                                                                | Exhibit 2.1 of our Current Report on Form 8-K dated October 20, 2005, filed with the commission on October 26, 2005           |
| 2.3                   | Agreement and Plan of Merger dated January 17, 2006, between Aries Ventures Inc. and Cardium Therapeutics, Inc.                                                                                | Exhibit 2.4 of our Registration Statement on Form SB-2 (File No. 333-131104), filed with the commission on January 18, 2006   |
| 2.4                   | Certificate of Merger, as filed with the Delaware Secretary of State on January 17, 2006                                                                                                       | Exhibit 2.5 of our Registration Statement on Form SB-2 (File No. 333-131104), filed with the commission on January 18, 2006   |
| 3(i)                  | Second Amended and Restated Certificate of Incorporation of Cardium Therapeutics, Inc. as filed with the Delaware Secretary of State on January 13, 2006                                       | Exhibit 3(i) of our Registration Statement on Form SB-2 (File No. 333-131104), filed with the commission on January 18, 2006  |
| 3(ii)                 | Amended and Restated Bylaws of Cardium Therapeutics, Inc. as adopted on January 12, 2006                                                                                                       | Exhibit 3(ii) of our Registration Statement on Form SB-2 (File No. 333-131104), filed with the commission on January 18, 2006 |
| 3(iii)                |                                                                                                                                                                                                |                                                                                                                               |

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|     |                                                                                  |                                                                                                                                          |
|-----|----------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------|
|     | Certificate of Designation of Series A Junior Participating Preferred Stock      | Exhibit 3.2 of our Registration Statement on Form 8-A, filed with the commission on July 11, 2006                                        |
| 4.1 | Form of Warrant issued to Lead Investors and Mark Zucker                         | Exhibit 4.2 of our Current Report on Form 8-K dated October 20, 2005, filed with the commission on October 26, 2005                      |
| 4.2 | Form of Warrant issued to employees and consultants of Innercool Therapies, Inc. | Exhibit 4.1 of our Current Report on Form 8-K dated March 8, 2006, filed with the commission on March 14, 2006                           |
| 4.3 | Form of Common Stock Certificate for Cardium Therapeutics, Inc.                  | Exhibit 4.5 of our Annual Report on Form 10-KSB for the fiscal year ended December 31, 2005, filed with the commission on March 31, 2006 |

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|       |                                                                                                                                                                                                                                    |                                                                                                                                          |
|-------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------|
| 4.4   | Form of Rights Agreement dated as of July 10, 2006, between Cardium Therapeutics, Inc. and Computershare Trust Company, Inc., as Rights Agent                                                                                      | Exhibit 4.1 of our Registration Statement on Form 8-A, filed with the commission on July 11, 2006                                        |
| 4.5   | Form of Rights Certificate                                                                                                                                                                                                         | Exhibit 4.2 of our Registration Statement on Form 8-A, filed with the commission on July 11, 2006                                        |
| 4.6   | Form of Warrant issued to purchasers in 2007 private financing                                                                                                                                                                     | Exhibit 4.1 of our Current Report on Form 8-K dated March 6, 2007, filed with the commission on March 6, 2007                            |
| 4.7   | Form of Warrant issued to Oppenheimer & Co. Inc. as Placement Agent in 2007 financing                                                                                                                                              | Exhibit 4.7 of our Annual Report on Form 10-KSB for the fiscal year ended December 31, 2006, filed with the commission on March 15, 2007 |
| 10.1  | Transfer, Consent to Transfer, Amendment and Assignment of License Agreement effective as of August 31, 2005, by and among New York University, Collateral Therapeutics, Inc. and Cardium Therapeutics, Inc.                       | Exhibit 10.1 of our Current Report on Form 8-K dated October 20, 2005, filed with the commission on October 26, 2005                     |
| 10.2  | Transfer, Consent to Transfer, Amendment and Assignment of License Agreement effective as of August 31, 2005, by and among Yale University, Schering Aktiengesellschaft and Cardium Therapeutics, Inc.                             | Exhibit 10.2 of our Current Report on Form 8-K dated October 20, 2005, filed with the commission on October 26, 2005                     |
| 10.3  | Transfer, Consent to Transfer, Amendment and Assignment of License Agreement effective as of July 31, 2005, by and among the Regents of the University of California, Collateral Therapeutics, Inc. and Cardium Therapeutics, Inc. | Exhibit 10.3 of our Current Report on Form 8-K dated October 20, 2005, filed with the commission on October 26, 2005                     |
| 10.4  | Transfer, Consent to Transfer, Amendment and Assignment of License Agreement effective as of July 31, 2005, by and among the Regents of the University of California, Collateral Therapeutics, Inc. and Cardium Therapeutics, Inc. | Exhibit 10.4 of our Current Report on Form 8-K dated October 20, 2005, filed with the commission on October 26, 2005                     |
| 10.5  | Technology Transfer Agreement effective as of October 13, 2005, by and among Schering AG, Berlex, Inc., Collateral Therapeutics, Inc. and Cardium Therapeutics, Inc.                                                               | Exhibit 10.5 of Aries Current Report on Form 8-K dated October 20, 2005, filed with the commission on October 26, 2005                   |
| 10.6  | Amendment to the Exclusive License Agreement for Angiogenesis Gene Therapy effective as of October 20, 2005, between the Regents of the University of California and Cardium Therapeutics, Inc.                                    | Exhibit 10.6 of our Current Report on Form 8-K dated October 20, 2005, filed with the commission on October 26, 2005                     |
| 10.7  | Amendment to License Agreement effective as of October 20, 2005, by and between New York University and Cardium Therapeutics, Inc.                                                                                                 | Exhibit 10.7 of our Current Report on Form 8-K dated October 20, 2005, filed with the commission on October 26, 2005                     |
| 10.8  | Second Amendment to Exclusive License Agreement effective as of October 20, 2005, by and between Yale University and Cardium Therapeutics, Inc.                                                                                    | Exhibit 10.8 of our Current Report on Form 8-K dated October 20, 2005, filed with the commission on October 26, 2005                     |
| 10.9  | 2005 Equity Incentive Plan as adopted effective as of October 20, 2005*                                                                                                                                                            | Exhibit 10.9 of our Current Report on Form 8-K dated October 20, 2005, filed with the commission on October 26, 2005                     |
| 10.10 | Employment Agreement dated as of October 20, 2005 by and between Aries Ventures Inc. and Christopher Reinhard*                                                                                                                     | Exhibit 10.10 of our Current Report on Form 8-K dated October 20, 2005, filed with the commission on October 26, 2005                    |
| 10.11 | Employment Agreement dated as of October 20, 2005 by and between Aries Ventures Inc. and Tyler Dylan*                                                                                                                              | Exhibit 10.11 of our Current Report on Form 8-K dated October 20, 2005, filed with the commission on October 26, 2005                    |

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| 10.12 Office Lease between Cardium and Kilroy Realty, L.P. dated as of September 30, 2005 and commencing on November 1, 2005                                                                                                                                                                           | Exhibit 10.12 of our Annual Report on Form 10-KSB for the fiscal year ended September 30, 2005, filed with the commission on December 22, 2005 |
| 10.13 Yale Exclusive License Agreement between Yale University and Schering Aktiengesellschaft dated September 8, 2000                                                                                                                                                                                 | Exhibit 10.13 of our Annual Report on Form 10-KSB for the fiscal year ended September 30, 2005, filed with the commission on December 22, 2005 |
| 10.14 Research and License Agreement between New York University and Collateral Therapeutics, Inc. dated March 24, 1997 (with amendments dated April 28, 1998 and March 24, 2000)                                                                                                                      | Exhibit 10.14 of our Annual Report on Form 10-KSB for the fiscal year ended September 30, 2005, filed with the commission on December 22, 2005 |
| 10.15 Exclusive License Agreement for Angiogenesis Gene Therapy between the Regents of the University of California and Collateral Therapeutics, Inc. dated as of September 27, 1995 (with amendments dated September 19, 1996, June 30, 1997, March 11, 1999 and February 8, 2000)                    | Exhibit 10.15 of our Annual Report on Form 10-KSB for the fiscal year ended September 30, 2005, filed with the commission on December 22, 2005 |
| 10.16 Placement Agency Agreement dated July 1, 2005 by and between Cardium Therapeutics, Inc. and National Securities Corporation                                                                                                                                                                      | Exhibit 1.1 of our Current Report on Form 8-K dated October 20, 2005, filed with the commission on October 26, 2005                            |
| 10.17 Asset Purchase Agreement dated as of March 8, 2006, by and among Cardium Therapeutics, Inc., Innercool Therapies, Inc. (a Delaware corporation), and Innercool Therapies, Inc. (a California corporation) (without schedules)                                                                    | Exhibit 10.1 of our Current Report on Form 8-K dated March 8, 2006, filed with the commission on March 14, 2006                                |
| 10.18 Production Service Agreement effective as of January 24, 2006, by and between Molecular Medicine Bioservices, Inc. and Cardium Therapeutics, Inc.                                                                                                                                                | Exhibit 10.18 of our Annual Report on Form 10-KSB for the fiscal year ended December 31, 2005, filed with the commission on March 31, 2006     |
| 10.19 Executive Employment Agreement dated March 8, 2006 by and between Innercool Therapies, Inc. and Michael Magers*                                                                                                                                                                                  | Exhibit 10.19 of our Annual Report on Form 10-KSB for the fiscal year ended December 31, 2005, filed with the commission on March 31, 2006     |
| 10.20 Master License Agreement effective as of December 1, 1999, by and between SurModics, Inc. and Innercool Therapies, Inc.                                                                                                                                                                          | Exhibit 10.20 of our Annual Report on Form 10-KSB for the fiscal year ended December 31, 2005, filed with the commission on March 31, 2006     |
| 10.21 Lease dated August 12, 1997, by and between R.G. Harris Co., and Elizabeth G. Harris, Henry K. Workman and Don C. Sherwood, Trustees of the Harris Family Revocable Trust (as landlord) and Copper Mountain Networks, Inc. (as tenant)                                                           | Exhibit 10.21 of our Annual Report on Form 10-KSB for the fiscal year ended December 31, 2005, filed with the commission on March 31, 2006     |
| 10.22 Lease Amendment No. 1 effective as of August 1, 1999, by and among R.G. Harris Co., and Elizabeth G. Harris, Henry K. Workman and Don C. Sherwood, Trustees of the Harris Family Revocable Trust (as landlord), Copper Mountain Networks, Inc. (as tenant), and Neurothermia, Inc. (as assignee) | Exhibit 10.22 of our Annual Report on Form 10-KSB for the fiscal year ended December 31, 2005, filed with the commission on March 31, 2006     |
| 10.23 Assignment, Assumption and Consent effective as of October 2, 1999, by and among Copper Mountain Networks, Inc., Neurothermia, Inc., and R.G. Harris Co., and Elizabeth G. Harris, Henry K. Workman and Don C. Sherwood, Trustees of the Harris Family Revocable Trust                           | Exhibit 10.23 of our Annual Report on Form 10-KSB for the fiscal year ended December 31, 2005, filed with the commission on March 31, 2006     |

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| 10.24 | Lease Amendment No. 2 effective as of October 16, 2002, by and between E.G. Sirrah, LLC, as successor-in-interest to R.G. Harris Co., and Elizabeth G. Harris, Henry K. Workman and Don C. Sherwood, Trustees of the Harris Family Revocable Trust, and Innercool Therapies, Inc. (formerly known as Neurothermia, Inc.) | Exhibit 10.24 of our Annual Report on Form 10-KSB for the fiscal year ended December 31, 2005, filed with the commission on March 31, 2006 |
| 10.25 | Sublease dated August 30, 2005, by and between Innercool Therapies, Inc., and Acadia Pharmaceuticals Inc.                                                                                                                                                                                                                | Exhibit 10.25 of our Annual Report on Form 10-KSB for the fiscal year ended December 31, 2005, filed with the commission on March 31, 2006 |
| 10.26 | Asset Purchase Agreement dated as of August 11, 2006, by and among Cardium Therapeutics, Inc., Cardium Biologics, Inc. (a Delaware corporation), and Tissue Repair Company (a Delaware corporation)                                                                                                                      | Exhibit 10.26 of our Current Report on Form 8-K dated August 11, 2006, filed with the commission on August 15, 2006                        |
| 10.27 | Form of Securities Purchase Agreement, dated March 6, 2007, by and between Cardium Therapeutics, Inc. and each purchaser in 2007 private financing (agreements on substantially this form were signed by each purchaser in the financing)                                                                                | Exhibit 10.1 of our Current Report on Form 8-K dated March 6, 2007, filed with the commission on March 6, 2007                             |
| 10.28 | Form of Lock-Up Agreement executed by each executive officer and director of Cardium Therapeutics, Inc. in connection with 2007 private financing                                                                                                                                                                        | Exhibit 10.2 of our Current Report on Form 8-K dated March 6, 2007, filed with the commission on March 6, 2007                             |
| 10.29 | Placement Agent Agreement dated November 1, 2006, by and between Cardium Therapeutics, Inc. and Oppenheimer & Co. Inc.                                                                                                                                                                                                   | Exhibit 10.3 of our Current Report on Form 8-K dated March 6, 2007, filed with the commission on March 6, 2007                             |
| 10.30 | Office Lease dated as of September 16, 2006 and commencing on January 20, 2007, by and between Cardium Therapeutics, Inc. and Jaguar Properties, L.L.C.                                                                                                                                                                  | Exhibit 10.30 of our Annual Report on Form 10-KSB for the fiscal year ended December 31, 2006, filed with the commission on March 15, 2007 |
| 10.31 | Amendment 1 effective on October 31, 2006, to Sublease dated August 30, 2005, by and between Innercool Therapies, Inc., and Acadia Pharmaceuticals Inc.                                                                                                                                                                  | Exhibit 10.31 of our Annual Report on Form 10-KSB for the fiscal year ended December 31, 2006, filed with the commission on March 15, 2007 |
| 10.32 | Amendment 2 effective as of January 2, 2007, to Sublease dated August 30, 2005, by and between Innercool Therapies, Inc., and Acadia Pharmaceuticals Inc.                                                                                                                                                                | Exhibit 10.32 of our Annual Report on Form 10-KSB for the fiscal year ended December 31, 2006, filed with the commission on March 15, 2007 |
| 10.33 | Michigan License agreement between the Regents of the University of Michigan and Matrigen, Inc. dated July 13, 1995                                                                                                                                                                                                      | Exhibit 10.33 of our Annual Report on Form 10-KSB for the fiscal year ended December 31, 2006, filed with the commission on March 15, 2007 |
| 10.34 | Amendment to License agreement between the Regents of the University of Michigan and Matrigen, Inc. dated August 10, 1995                                                                                                                                                                                                | Exhibit 10.34 of our Annual Report on Form 10-KSB for the fiscal year ended December 31, 2006, filed with the commission on March 15, 2007 |
| 10.35 | Second Amendment to the Michigan License agreement between the Regents of the University of Michigan and Selective Genetics, Inc. dated February 1, 2004                                                                                                                                                                 | Exhibit 10.35 of our Annual Report on Form 10-KSB for the fiscal year ended December 31, 2006, filed with the commission on March 15, 2007 |
| 10.36 | Third Amendment to Michigan License Agreement between the Regents of the University of Michigan, and Tissue Repair Company, and Cardium Biologics Inc. dated August 10, 2006                                                                                                                                             | Exhibit 10.36 of our Annual Report on Form 10-KSB for the fiscal year ended December 31, 2006, filed with the commission on March 15, 2007 |

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| 10.37 | First Amendment to Lease Agreement between Cardium Therapeutics, Inc. and Kilroy Realty, L.P. dated February 15, 2007                                                                                               | Exhibit 10.37 of our Quarterly Report on Form 10-Q for the quarter ended March 31, 2007, filed with the commission on May 15, 2007 |
| 10.38 | First Amendment dated March 16, 2007 to Employment Agreement dated as of October 20, 2005 by and between Aries Ventures Inc. and Christopher Reinhard*                                                              | Exhibit 10.38 of our Quarterly Report on Form 10-Q for the quarter ended March 31, 2007, filed with the commission on May 15, 2007 |
| 10.39 | First Amendment dated March 16, 2007 to Employment Agreement dated as of October 20, 2005 by and between Aries Ventures Inc. and Tyler Dylan*                                                                       | Exhibit 10.39 of our Quarterly Report on Form 10-Q for the quarter ended March 31, 2007, filed with the commission on May 15, 2007 |
| 10.40 | Loan and Security Agreement, dated as of November 12, 2007, among Life Sciences Capital, LLC, InnerCool Therapies, Inc., Tissue Repair Company, and Cardium Therapeutics, Inc.                                      | Filed herewith                                                                                                                     |
| 10.41 | Secured Promissory Note dated November 12, 2007 made by InnerCool Therapies, Inc., Tissue Repair Company, and Cardium Therapeutics, Inc. for the benefit of Life Sciences Capital, LLC in the amount of \$5 million | Filed herewith                                                                                                                     |
| 10.42 | Form of Warrant issued to Life Sciences Capital LLC                                                                                                                                                                 | Filed herewith                                                                                                                     |
| 10.43 | Office Lease by and between Paseo Del Mar CA LLC and Cardium Therapeutics, Inc., effective as of November 19, 2007                                                                                                  | Filed herewith                                                                                                                     |
| 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                                                                                                                     |

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\* Indicates management contract or compensatory plan or arrangement.

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**SIGNATURES**

Pursuant to the requirements 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 14, 2007

CARDIUM THERAPEUTICS, INC.

By: /s/ Dennis M. Mulroy

Dennis M. Mulroy, Chief Financial Officer

Mr. Mulroy is the principal financial officer of Cardium Therapeutics, Inc. and has been duly authorized to sign on its behalf.