

Cardium Therapeutics, Inc.  
Form 10QSB  
May 15, 2006  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

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**FORM 10-QSB**

**QUARTERLY REPORT**

**under Section 13 or 15(d)**

**of the Securities Exchange Act of 1934**

FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2006

**000-14136**

(Commission file number)

**CARDIUM THERAPEUTICS, INC.**

(Name of small business issuer 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**  
(Issuer's telephone number)

Check whether Cardium Therapeutics, Inc. (Cardium) (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 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 shell company (as defined in Rule 12b-2 of the Exchange Act.):  Yes  No

As of May 15, 2006, 31,749,801 shares of Cardium's common stock were outstanding.

Transitional Small Business Disclosure Format (Check one):  Yes  No



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**Table of Contents****PART I FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS****Cardium Therapeutics, Inc.**

(a development stage company)

**Condensed Consolidated Balance Sheet****March 31, 2006****(Unaudited)**

|   |                      |
|---|----------------------|
| <b>Assets</b>   |                      |
| Current assets:   |                      |
| Cash and cash equivalents   | \$ 19,373,417        |
| Accounts receivable   | 189,649              |
| Inventory   | 110,840              |
| Prepaid expenses  | 268,691              |
| <b>Total current assets</b>   | <b>19,942,597</b>    |
| Property and equipment, net of accumulated depreciation of \$47,820                                       | 597,630              |
| Patented technology, net of accumulated amortization of \$45,107  | 5,728,677            |
| Intangibles, net of accumulated amortization of \$6,220   | 461,954              |
| Deposits  | 68,132               |
| <b>Total assets</b>   | <b>\$ 26,798,990</b> |
| <b>Liabilities and Stockholders' Equity</b>   |                      |
| Current liabilities:  |                      |
| Accounts payable  | \$ 702,007           |
| Accrued liabilities   | 761,086              |
| <b>Total liabilities</b>  | <b>1,463,093</b>     |
| Stockholders' equity:   |                      |
| Common stock, \$0.0001 par value; 200,000,000 shares authorized; 31,749,801 shares issued and outstanding | 3,174                |
| Additional paid-in capital  | 38,524,305           |
| Deferred stock compensation   | (5,191,636)          |
| Deficit accumulated during development stage  | (7,999,946)          |
| <b>Total stockholders' equity</b>   | <b>25,335,897</b>    |
| <b>Total liabilities and stockholders' equity</b>   | <b>\$ 26,798,990</b> |

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



**Table of Contents****Cardium Therapeutics, Inc.**

(a development stage company)

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

|   | <b>Three Months Ended</b> |             | <b>Period from</b>       |
|---|---------------------------|-------------|--------------------------|
|   | <b>March 31,</b>          |             | <b>December 22, 2003</b> |
|   |                           |             | <b>(Inception)</b>       |
|   |                           |             | <b>To March 31,</b>      |
|   | <b>2006</b>               | <b>2005</b> | <b>2006</b>              |
| Revenues  | \$ 39,342                 | \$          | \$ 39,342                |
| Cost of good sold                                     | 53,328                    |             | 53,328                   |
| Gross loss  | (13,986)                  |             | (13,986)                 |
| Operating expenses                                    |                           |             |                          |
| Research and development                              | 43,338                    |             | 4,043,338                |
| Sales and marketing                                   | 51,971                    |             | 51,971                   |
| General and administrative                            | 2,613,450                 | 31,421      | 4,205,699                |
| Amortization - intangibles                            | 51,327                    |             | 51,327                   |
| Total operating expenses                              | 2,760,086                 | 31,421      | 8,352,335                |
| Interest income                                       | 219,781                   |             | 366,375                  |
| Net loss  | \$ (2,554,291)            | \$ (31,421) | \$ (7,999,946)           |
| Loss Per Common Share                                 |                           |             |                          |
| Net loss per common share basic and diluted           | \$ (0.09)                 | \$ (0.02)   |                          |
| Weighted average shares outstanding basic and diluted | 29,888,690                | 1,700,000   |                          |

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

**Table of Contents****Cardium Therapeutics, Inc.**

(a development stage company)

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

|  | <b>Three Months Ended</b> |                  | <b>Period from</b>       |
|--|---------------------------|------------------|--------------------------|
|  | <b>March 31,</b>          |                  | <b>December 22, 2003</b> |
|  |                           |                  | <b>(Inception)</b>       |
|  |                           |                  | <b>To March 31,</b>      |
|  | <b>2006</b>               | <b>2005</b>      | <b>2006</b>              |
| <b>Cash Flows From Operating Activities</b>                                    |                           |                  |                          |
| Net loss   | \$ (2,554,291)            | \$ (31,421)      | \$ (7,999,946)           |
| Adjustments to reconcile net loss to net cash used in operating activities:    |                           |                  |                          |
| Depreciation   | 36,174                    |                  | 47,820                   |
| Amortization - intangibles   | 51,327                    |                  | 51,327                   |
| Common stock issued for services and reimbursement of expenses                 |                           |                  | 41,500                   |
| Stock based compensation expense   | 277,071                   |                  | 277,071                  |
| Changes in operating assets and liabilities, excluding effects of acquisition: |                           |                  |                          |
| Accounts receivable  | (13,056)                  |                  | (13,056)                 |
| Inventory  | (14,176)                  |                  | (14,176)                 |
| Prepaid expenses   | (61,927)                  | (10,000)         | (232,009)                |
| Deposits   | (22,275)                  |                  | (43,751)                 |
| Accounts payable   | 490,709                   |                  | 653,578                  |
| Accrued liabilities  | (505,144)                 |                  | (54,505)                 |
| <b>Net cash used in operating activities</b>                                   | <b>(2,315,588)</b>        | <b>(41,421)</b>  | <b>(7,286,147)</b>       |
| <b>Cash Flows From Investing Activities</b>                                    |                           |                  |                          |
| Purchases of property and equipment  | (150,664)                 |                  | (534,507)                |
| <b>Cash Flows From Financing Activities</b>                                    |                           |                  |                          |
| Proceeds from officer loan   |                           | 3,421            | 62,882                   |
| Cash acquired in a merger or an acquisition                                    | 51,800                    |                  | 1,551,800                |
| Proceeds from the sale of common stock   |                           | 38,000           | 25,579,389               |
| <b>Net cash provided by financing activities</b>                               | <b>51,800</b>             | <b>41,421</b>    | <b>27,194,071</b>        |
| <b>Net (decrease) increase in cash</b>   | <b>(2,414,452)</b>        |                  | <b>19,373,417</b>        |
| Cash at beginning of period  | 21,787,869                | 13,039           |                          |
| <b>Cash and cash equivalents end of period</b>                                 | <b>\$ 19,373,417</b>      | <b>\$ 13,039</b> | <b>\$ 19,373,417</b>     |
| <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              | \$               | \$                       |

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



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**Cardium Therapeutics, Inc.**

**(a development stage company)**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(Unaudited)**

**Note 1. Business and Basis of Presentation**

*Business*

Cardium Therapeutics, Inc. ( Cardium ) 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 various interventional cardiology applications, including potential treatments for ischemic heart disease. In March 2006, we acquired the technologies and products of Innercool Therapies, Inc., a medical technology company in the emerging field of therapeutic hypothermia, which is designed to rapidly and controllably cool the body in order 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. Innercool Therapies is 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 closed a private placement of 19,325,651 shares of our common stock at a purchase price of \$1.50 per share and received net proceeds of \$25,542,389. In connection with the offering, we completed a reverse merger, whereby Cardium merged with Aries Ventures Inc. ( Aries ), a publicly traded company (see Note 9 ). 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.

*Basis of Presentation*

Cardium's principal activities are expected to focus on the commercialization of its licensed technologies. 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-QSB and applicable rules and regulations. Certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations. In management's opinion, all adjustment 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 months ended March 31, 2006 are not necessarily indicative of the operating results for the full fiscal year or any future periods.

You should read the accompanying condensed consolidated financial statements in conjunction with our audited financial statements included in our Annual Report on Form 10-KSB for the year ended December 31, 2005 ( 2005 Annual Report ).

**Table of Contents***Loss Per Common Share*

We compute earnings per share 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 share for the three months ended March 31, 2006 and 2005, 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 are the same for all periods presented. The common stock issued and outstanding with respect to the stockholders of Aries Ventures have been included since October 20, 2005, the effective date of the reverse merger.

Potentially dilutive securities consisted of outstanding stock options and warrants to acquire 6,901,818 shares as of March 31, 2006, and 0 shares as of March 31, 2005.

*Stock-Based Compensation*

Effective January 1, 2006, the Company adopted the fair value recognition provisions of SFAS No. 123 (revised 2004), *Share-Based Payment* ( SFAS 123R ), using the modified prospective transition method and therefore has not restated results for prior periods. Under this transition method, stock-based compensation expense for the first quarter of fiscal 2006 includes compensation expense for all stock-based compensation awards granted prior to, but not yet vested as of January 1, 2006, based on the grant date fair value estimated in accordance with the original provision of SFAS No. 123, *Accounting for Stock-Based Compensation* ( SFAS 123 ). Stock-based compensation expense for all stock-based compensation awards granted after January 1, 2006 is based on the grant date fair value estimated in accordance with the provisions of SFAS 123R. Prior to the adoption of SFAS 123R on January 1, 2006, the Company recognized stock-based compensation expense in accordance with Accounting Principles Board Opinion No. 25, *Accounting for Stock Issued to Employees* ( APB 25 ), and provided pro forma disclosure amounts in accordance with SFAS No. 148, *Accounting for Stock-Based Compensation Transition and Disclosure* ( SFAS 148 ), as if the fair value method defined by SFAS 123 had been applied to its stock-based compensation.

The pro forma table below reflects net loss, and net loss per common share, as if the Company had applied the fair value recognition provisions of SFAS 123 to all outstanding and unvested awards in fiscal 2005 as follows:

|   | <b>Three Months Ended<br/>March 31, 2005</b> |
|---|--|
| Net loss, as reported                                   | \$ (31,421)                                  |
| Add: compensation expense included in net loss          |  |
| Less: compensation expense pursuant to SFAS No. 123     |  |
| Pro forma net loss                                      | \$ (31,421)                                  |
| Pro forma net loss per common share (basic and diluted) | \$ 0.02                                      |

The Company recognizes stock-based compensation costs on a straight-line basis over the requisite service period of the award, which is generally the option vesting term.

For the three months ended March 31, 2006, total stock-based compensation expense included in the consolidated statements of operations was \$277,071 and was recorded as a component of general and

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administrative expense. As of March 31, 2006, the Company had \$5,191,636 of stock based compensation remaining to be expensed ratably over the period April 2006 through March 2010

The fair value of the stock options granted for three month ended March 31, 2006 were estimated on the date of grant using the Black-Scholes option pricing model with the following weighted-average assumptions: risk-free interest rate 4.33%; dividend yield of 0%; stock price volatility of 66%; and expected life of 5.25 years. There were no stock options issued or outstanding during the three months ended March 31, 2005.

*Stock Option Activity*

At March 31, 2006 we have an equity incentive plan that was established in 2005 under which 5,665,856 shares of our common have been reserved for issuance to employees, non-employee directors and consultants of the Company. In November 2005, options to purchase 2,095,000 shares of our common stock, in the aggregate, were granted under the plan. The options vest over three years, have an exercise price of \$1.95 per share. The options and warrants issued in 2006 vest over four and three year respectively. During the three months ended March 31, 2006, options to purchase 1,250,000 were granted under the plan and 700,000 warrants were issued outside of the plan. The fair value of these 2006 grants were \$1.44 - \$1.57, and \$1.23 respectively.

The following is a summary of stock option activity under the Option Plan and employee warrants issued outside of the plan which are included as options below as of March 31, 2006 and changes during the three months ended March 31, 2006 were as follows:

|                                | Number    | Weighted Average Exercise Price | Weighted Average Remaining Contractual Life | Aggregate Intrinsic Value |
|--------------------------------|-----------|---------------------------------|---|---------------------------|
| Outstanding, December 31, 2005 | 2,095,000 | \$ 1.95                         | 10  | \$ 2,451,150              |
| Issued                         | 1,950,000 | 2.64                            | 10  | 3,087,000                 |
| Exercised                      |           |                                 |   |                           |
| Expired                        |           |                                 |   |                           |
| Outstanding at March 31, 2006  | 4,045,000 | \$ 2.28                         | 10  | \$ 5,538,150              |

The following table summarizes information about stock options outstanding and exercisable under the Option Plans and warrants issued to employees of Innercool outside of the plan at March 31, 2006:

|                          | Options Outstanding |   |                                 | Options Exercisable |                                 |
|--------------------------|---------------------|---|---------------------------------|---------------------|---------------------------------|
|                          | Number              | Weighted-average remaining contractual life | Weighted-average exercise price | Number              | Weighted-average exercise price |
| Range of exercise prices | outstanding         | life  | price                           | exercisable         | price                           |
| \$1.95 - \$3.00          | 4,045,000           | 10  | \$ 2.64                         | 20,830              | \$ 2.75                         |
|                          | 4,045,000           | 10  | \$ 2.64                         | 20,830              | \$ 2.75                         |



**Table of Contents****Note 2. Business Combinations***Innercool Therapies Acquisition*

On March 8, 2006, Cardium, through its newly-formed, wholly-owned subsidiary, Innercool Therapies, Inc., a Delaware corporation, acquired substantially all of the assets and the business of Innercool Therapies, Inc., an unaffiliated California corporation, then in the development stage, engaged in the business of researching, developing, manufacturing, marketing, selling and distributing products and services related to endovascular temperature control therapy. As partial consideration therefore, Cardium issued to the seller 2,500,000 shares of Cardium's common stock. In addition, as part of the acquisition, Cardium agreed to (i) deliver to the seller \$5,000,000 in cash or shares of Cardium's common stock, at Cardium's election, if net sales revenue from certain of Innercool's products acquired in the acquisition equals or exceeds \$20,000,000 in any one calendar year beginning with 2006 and ending December 31, 2011; (ii) assume certain liabilities of Innercool Therapies in the aggregate amount of approximately \$580,000; and (iii) pay certain transaction costs associated with the acquisition and amounts that may be payable to former employees of the seller for accrued and unpaid vacation estimated, in the aggregate, to be approximately \$170,000, as well as certain audit fees and other expenses of approximately \$100,000. The acquisition was recorded based on Cardium's common stock price of \$2.35 per share.

The results of operations have been included in the accompanying consolidated financial statements from the date of acquisition. The estimated total cost of the acquisition is as follows:

|                          |              |
|--------------------------|--------------|
| Issuance of common stock | \$ 5,875,000 |
| Total purchase price     | \$ 5,875,000 |

Based on the Company's evaluation, a summary of the preliminary allocation of the purchase price for the Innercool Therapies Acquisition is as follows as of March 8, 2006, the date of the acquisition:

|  |                     |
|--|---------------------|
| <b>Assets acquired:</b>                        |                     |
| Cash   | \$ 51,800           |
| Accounts receivable                            | 176,593             |
| Inventory, net                                 | 96,664              |
| Property and equipment                         | 110,943             |
| Prepaid expenses                               | 36,682              |
| Deposits                                       | 24,381              |
| Intangible assets (amortizable over 3-6 years) | 468,174             |
| Acquired technology (amortizable over 8 years) | 5,773,784           |
| <b>Total assets acquired</b>                   | <b>\$ 6,739,021</b> |
| <b>Liabilities assumed:</b>                    |                     |
| Accounts payable                               | \$ 48,429           |
| Other accrued expenses                         | 815,592             |
| <b>Total liabilities assumed</b>               | <b>\$ 864,021</b>   |
| <b>Total consideration</b>                     | <b>\$ 5,875,000</b> |

The Company is in the process of obtaining an independent appraisal of such assets acquired. The appraisal report has not yet been finalized.

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The following table presents the unaudited combined results of operations of the Company, and its acquisition:

|   | (1)  | (2)  |
|---|--|--|
|   | Pro forma Combined<br>for the Three Months Ended<br>March 31, 2006 | Pro forma Combined<br>for the Three Months Ended<br>March 31, 2005 |
| Revenues:   |  |  |
| Net Sales   | \$ 189,342   | \$ 121,735   |
| Net income (loss)   | \$ (3,498,083)   | \$ (1,364,265)   |
| Net income per share - Basic                                      | \$ (0.11)  | \$ (0.32)  |
| Weighted average common shares outstanding - Basic<br>and Diluted | 31,749,801   | 4,200,000  |

The pro forma combined results are not necessarily indicative of the results that actually would have occurred if the acquisition had been completed as of the beginning of fiscal year 2006 and 2005, nor are they necessarily indicative of future consolidated results.

- (1) (2) These columns represents the unaudited combined results of the Company and Innercool as if they had been combined from the beginning of 2006 and 2005. The results have been adjusted to account for the amortization of acquired technology and intangibles and other proforma adjustments.

**Note 3. Purchase of Technology from Schering AG Group (Germany)**

In October 2005, we completed a transaction with Schering AG Group (Germany) and related licensors, including the University of California, New York University and Yale University, for the transfer or license of certain assets and technology relating to (i) methods of gene therapy for the treatment of cardiovascular disease (including methods for the delivery of genes to the heart or vasculature and the use of angiogenic and/or non-angiogenic genes for the potential treatment of diseases of the heart or vasculature); (ii) therapeutic genes that include fibroblast growth factors (including FGF-4); insulin-like growth factors (including IGF-I); and potentially other related biologics (including mutant eNOS); and (3) other technology and know-how, including manufacturing and formulation technology, as well as data relating to the clinical development of Generx and corresponding FDA regulatory matters. Under the terms of the transaction, we paid Schering a \$4 million fee, and will pay a \$10 million milestone payment upon the first commercial sale of each resulting product. We also are obligated to pay the following royalties to Schering: (i) 5% on net sales of an FGF-4 based product such as Generx, or (ii) 4% on net sales of other products developed based on technology transferred to Cardium by Schering.

**Table of Contents****Note 4. Commitments and Contingencies  
Operating Leases**

Effective November 1, 2005, we entered into a two year lease for our principal executive offices. The lease contains two options, the first for an additional term of one year and the second for an additional term of two years. The second option is subject to a third party right of first refusal. During the first year of the lease, the monthly installment of base rent is approximately \$21,500, which amount will increase to approximately \$22,335 in the second year of the lease. In addition to base rent, we also are required to pay our proportionate share of operating and tax expenses for the office park in which our space is located.

As part of the acquisition, Cardium, through its wholly-owned Innercool subsidiary, acquired all of the rights and assumed all of the obligations of the seller under the terms of a lease for approximately 24,000 square feet in San Diego, California, and a sublease of approximately 6,602 square feet of such facilities to an unaffiliated third party. The base monthly rent under the lease is \$25,200. The monthly base rent payable to Innercool under the terms of the sublease is approximately \$7,262. The lease and the sublease both expire October 31, 2007.

Future annual minimum rental payments under the leases are as follows:

| <b>Year Ending December 31,</b> |                   |
|---------------------------------|-------------------|
| 2006                            | \$ 422,000        |
| 2007                            | 475,000           |
| <b>Total</b>                    | <b>\$ 897,000</b> |

Rent expense was \$64,430 for the three months ended March 31, 2006, and \$0 for the three months ended March 31, 2005.

**Note 5. Stockholders Equity  
Common Stock**

Cardium was incorporated in Delaware on December 22, 2003. On December 31, 2003, we sold 1,700,000 shares of our common stock to our founders and executives for \$17,000. On April 1, 2005, we issued an additional 3,800,000 shares of our common stock (of which 3,650,000 shares were issued to our co-founders and the remainder was issued to another employee of Cardium), in exchange for services and reimbursement of expenses valued at \$38,000.

On May 19, 2005, our Board of Directors and stockholders approved an increase in our authorized shares of common stock from 5,500,000 shares to 100,000,000 shares and a change in the par value of our shares of common stock from \$0.001 to \$0.0001.

On May 20, 2005, we issued 350,000 shares of our common stock to our co-founders in exchange for services and reimbursement of expenses valued at \$3,500. On July 1, 2005, we sold 2,000,000 shares of our common stock for \$20,000 to one of our founders.

On October 20, 2005, we completed a reverse merger with Aries Ventures Inc., a publicly-traded shell company, whereby a newly formed and wholly-owned subsidiary of Aries Ventures was merged with and into Cardium. At the time of the reverse merger, Cardium had 7,850,000 shares of its common stock outstanding and Aries Ventures had 2,032,226 shares of its common stock outstanding. In connection with the reverse merger, a three year warrant to purchase 400,000 shares of our common stock at an exercise price of \$1.75 per share was issued to an Aries stockholder who held of record or beneficially more than 45% of the outstanding common stock of Aries before the reverse merger, as consideration for such stockholder's agreement not to sell any of such stockholder's shares for a specified period of time.

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Concurrently with the reverse merger, we closed a private placement of 19,325,651 shares of common stock at a purchase price of \$1.50 per share and received net proceeds of \$25,542,389. Investors who invested at least \$1,000,000 in shares of common stock received a three-year warrant to buy 10% of the number of shares of common stock purchased in the private placement, at an exercise price of \$1.75 per share. Warrants to purchase 424,263 shares of common stock, in the aggregate, were issued to such investors.

In October 2005, one of our executive officers was issued 41,924 shares of our common stock as repayment for advances totaling \$62,882 that had been made to fund our early start-up costs.

On March 8, 2006, we acquired substantially all of the assets of Innercool Therapies, Inc. As partial consideration, we issued to the Company 2,500,000 shares of our common stock. In addition, as part of the acquisition, we agreed to deliver to the Company \$5,000,000 in cash or shares of our common stock, at our election, if net sales revenue from the company's existing line of business products acquired in the acquisition equals or exceeds \$20,000,000 in any one calendar year beginning with 2006 and ending December 31, 2011.

**Warrants**

The following table summarizes the warrant activity:

|  | Number<br>of<br>Warrants | Exercise Price   | Weighted<br>Average<br>Remaining<br>Contractual<br>Life<br>(in years) |
|--|--------------------------|------------------|---|
| Balance outstanding, December 31, 2004 |                          | \$               |   |
| Warrants issued                        | 2,856,818                | \$ 1.50 - \$1.75 | 3 - 5   |
| Warrants exercised                     |                          |                  |   |
| Warrants expired                       |                          |                  |   |
| Warrants cancelled                     |                          |                  |   |
| Balance outstanding, December 31, 2005 | 2,856,818                | \$ 1.50 - \$1.75 | 3 - 5   |
| Warrants issued                        |                          |                  |   |
| Warrants exercised                     |                          |                  |   |
| Warrants expired                       |                          |                  |   |
| Warrants cancelled                     |                          |                  |   |
| Balance outstanding, March 31, 2006    | 2,856,818                | \$ 1.50 - \$1.75 | 3 - 5   |
| Warrants exercisable at March 31, 2006 | 2,856,818                | \$ 1.50 - \$1.75 | 3 - 5   |

**Note 6. Reverse Merger Transaction**

On October 20, 2005, we completed a reverse merger with Aries Ventures Inc., a publicly-traded shell company, whereby a newly formed and wholly-owned subsidiary of Aries Ventures was merged with and into Cardium. For financial reporting purposes, Cardium was the acquirer in the merger and the merger was accounted for as a reverse merger. At the time of the reverse merger, Cardium had 7,850,000 shares of its common stock outstanding and Aries Ventures had 2,032,226 shares of its common stock outstanding.



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Concurrently with the reverse merger, we closed a private placement of 19,325,651 shares of common stock at a purchase price of \$1.50 per share and received net proceeds of \$25,542,389. Investors who invested at least \$1,000,000 in shares of common stock received a three-year warrant to buy 10% of the number of shares of common stock purchased in the private placement, at an exercise price of \$1.75 per share. Warrants to purchase 424,263 shares of common stock, in the aggregate, were issued to such investors.

In connection with the private placement, we incurred selling commissions, marketing allowances and management fees payable to the placement agent totaling approximately \$3,049,000, and legal, accounting and other fees and expenses totaling approximately \$397,000. In addition, five-year warrants to purchase 2,032,555 shares of our common stock were issued to the placement agent at an exercise price of \$1.50 per share.

### **SPECIAL NOTE ABOUT FORWARD-LOOKING STATEMENTS**

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

future financial and operating results;

the conduct and outcome of regulatory submissions and clinical trials;

the performance of Innercool's Celsius Control System™, Generx™ 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;

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current and future economic and political conditions;

overall industry and market performance;

the impact of accounting pronouncements;

management's goals and plans for future operations; and

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

The forward-looking statements in this report speak only as of the date of this report and caution should be taken not to place undue reliance on any such forward-looking statements. Forward-looking statements are subject to certain events, risks, and uncertainties that may be outside of our control. When considering forward-looking statements, you should carefully review the risks, uncertainties and other cautionary statements in this report as they identify certain important factors that could cause actual results to differ materially from those expressed in or implied by the forward-looking statements. These factors include, among others, the risks described under Item 6 and elsewhere in our Annual Report on Form 10-KSB for the fiscal year ended December 31, 2005, as well as in other reports and documents we file with the United States Securities and Exchange Commission.

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 our other wholly-owned subsidiaries.

**ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION**

*The following is a discussion of our intended plan of operation during the next 12 months. You should carefully review the risks described under Item 6 and elsewhere in our 2005 Annual Report, which identify certain important factors that could cause our future financial condition and results of operations to vary.*

**Plan of Operation**

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:

initiate a late-stage clinical study for Generx;

seek to accelerate the development and sales of Innercool's Celsius Control 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;

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seek to 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

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

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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. In the future, we plan to aggressively seek access to other therapeutics and/or medical device opportunities, as well as medical-related technologies, to further strengthen and broaden our portfolio, and will consider the opportunistic acquisition of other companies having financial and development resources that offer the potential to enhance our near and long-term stockholder value.

In October 2005, we completed a private placement of our common stock that resulted in net proceeds to the Company of more than \$25,000,000. As a result, we believe that we have sufficient funds available to satisfy our current cash requirements over the next 12 months.

More detailed information about our products, product candidates and our intended efforts to develop our products is included in our 2005 Annual Report.

## **Off-Balance Sheet Arrangements**

As of March 31, 2006, we did not have any 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 may 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.

## **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.

### *Fair Value of Financial Instruments*

The carrying amounts of cash and cash equivalents, accounts payable, and accrued liabilities approximate fair value due to the short-term maturities of such investments.

### *Principles of Consolidation*

The consolidated financial statements include the financial statements of Cardium Therapeutics, Inc. and its wholly-owned subsidiary, Innercool Therapies, Inc. (collectively, the Company ). All inter-company balances and transactions have been eliminated in consolidation.

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### *Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of expenses during the reporting period. Actual results could differ from those estimates.

### *Cash and Cash Equivalents*

Cash and cash equivalents, including approximately \$18,000,000 invested in short-term commercial paper, includes all highly-liquid investments with an original maturity of three months or less at the date of purchase. We attempt to reduce our credit risk by investing our cash and cash equivalents with major banks and financial institutions located primarily in the United States. At times, cash balances held at financial institutions may exceed federally-insured limits.

### *Property and Equipment*

Property and equipment are stated at cost, net of accumulated depreciation. Property and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets (three years for computer equipment and five years for furniture and fixtures).

### *Research and Development*

In accordance with SFAS No. 2, Research and Development Expenses, research and development costs are expensed as incurred. Research and development expenses are expected to consist of purchased technology, purchased research and development rights and outside services for research and development activities associated with product development. In accordance with SFAS No. 2, the cost to purchase such technology and research and development rights are required to be charged to expense if there is currently no alternative future use for this technology and, therefore, no separate economic value.

### *Income Taxes*

We account for income taxes under SFAS No. 109, Accounting for Income Taxes. SFAS No. 109 requires the recognition of deferred tax assets and liabilities for both the expected impact of differences between the financial statements and tax basis of assets and liabilities, and for the expected future tax benefit to be derived primarily from tax loss carryforwards. We have established a valuation allowance related to the benefits of net operating losses for which utilization in future periods is uncertain. We believe it is more likely than not that we will not realize the benefits of these deductible differences in the near future and, therefore, a valuation allowance has been recorded to offset future tax benefits.

We have federal net operating losses available to offset future taxable income, which, if not used, will expire in 2024. No provision for income taxes has been recorded in the financial statements as a result of such operating losses. Any benefit for income taxes as a result of the use of net operating losses acquired from Aries will likely be limited as a result of cumulative changes in stock ownership.

## **ITEM 3. 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 Securities and Exchange Commission 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 March 31, 2006. 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

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internal controls during the quarterly period ended March 31, 2006 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 May 12, 2006, 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 other than patent proceedings and related matters. 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. For example, we, and previously Collateral Therapeutics, Inc. have assisted the University of California, as the licensor, in an interference proceeding involving the University of California's technology for cardiovascular gene therapy (filed by Hammond et al.) and a pending patent application filed by Jeffrey Leiden et al. (a U.S. counterpart of international application PCT/US93/11133, which published as WO94/11506). In March 2006, we reported that a panel of Administrative Patent Judges of the U.S. Board of Patent Appeals and Interferences ( BPAI ) issued a final judgment against the Leiden applicants, ordering that the interference count (representing the claims in dispute) be awarded to Hammond, and that Leiden et al. be held not entitled to any patent containing claims corresponding to those in the interference. The patent applicant, Arch Development Corporation, which had licensed the technology to Boston Scientific Corporation, subsequently appealed the decision against them. In May 2006, we reported that the U.S. Court of Appeals for the Federal Circuit, which oversees appeals in all patent-related matters in the United States had ruled in our favor and the BPAI decision against the Leiden applicants had been summarily affirmed.

In a related matter, Collateral Therapeutics, Inc., with our assistance, successfully opposed a European counterpart to the Leiden PCT application (EP-B-668913), which led to a decision to revoke the patent grant in Europe. Although the patentee, Arch Development Corporation, subsequently appealed the adverse decision, a ruling following appeal to the European Patent Office's Technical Board of Appeal has now been rendered and the European patent grant to Arch (which had been licensed to Boston Scientific) has now been revoked. If the interference, opposition or other adverse proceedings were ultimately to be decided adversely, we could be compelled to seek a license to the Leiden technology, which may not be available on terms that we find commercially reasonable. In addition, such proceedings, even if decided in our favor, involve a lengthy process, are subject to appeal, and typically result in substantial costs and diversion of resources.

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

Other than as previously reported on our Current Report on Form 8-K filed with the Securities and Exchange Commission on March 14, 2006, during the quarterly period ended March 31, 2006, we did not sell any unregistered securities.

**ITEM 3. DEFAULTS UPON SENIOR SECURITIES**

None.

**Table of Contents****ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS**

An annual meeting of stockholders of Aries Ventures Inc., our predecessor with whom we merged in January 2006, was held on January 17, 2006. The following table sets forth the matters voted upon at the meeting and the results of the voting on each matter voted upon:

| <b>Matter Voted Upon</b>  | <b>Votes For</b> | <b>Withheld</b> | <b>Votes Against</b> | <b>Abstentions</b> | <b>Broker Non-Votes</b> |
|---|------------------|-----------------|----------------------|--------------------|-------------------------|
| 1. Election of seven (7) directors consisting of two (2) Class I directors, two (2) Class II directors and three (3) Class III directors to serve until the next annual meeting of stockholders held to elect directors of their respective class and until their successors are elected and qualified:   |                  |                 |                      |                    |                         |
| Edward W. Gabrielson (Class I)  | 18,797,763       |                 |                      |                    |                         |
| Lon E. Otremba (Class I)  | 18,797,763       |                 |                      |                    |                         |
| Tyler M. Dylan (Class II)   | 18,797,763       |                 |                      |                    |                         |
| Gerald J. Lewis (Class II)  | 18,697,763       | 100,000         |                      |                    |                         |
| Murray H. Hutchison (Class III)   | 18,697,763       | 100,000         |                      |                    |                         |
| Christopher J. Reinhard (Class III)   | 18,764,429       | 33,334          |                      |                    |                         |
| Ronald I. Simon (Class III)   | 18,797,763       |                 |                      |                    |                         |
| 2. Approval and adoption of an Agreement and Plan of Merger providing for the merger of Aries Ventures Inc. into its wholly-owned subsidiary, Cardium Therapeutics, Inc., a Delaware corporation, for the purpose of effectively changing the company's state of incorporation from Nevada to Delaware, changing the company's name to Cardium Therapeutics, Inc. and more clearly reflecting our business plans and objectives | 18,797,763       |                 |                      |                    |                         |
| 3. Approval of an increase in authorized capital stock from 60,000,000 (50,000,000 of common stock and 10,000,000 of preferred stock) to 240,000,000 (200,000,000 of common stock and 40,000,000 of preferred stock)  | 18,731,095       |                 | 66,668               |                    |                         |
| 4. Approval of a change from a variable range Board of Directors of from three to seven members to a fixed-size Board of no less than three members and as otherwise determined from time to time by the Board of Directors   | 18,664,429       |                 | 133,334              |                    |                         |
| 5. Approval of an amendment to change the required vote for proposals with prior Board approval from 50% of the outstanding shares to 50% of the outstanding shares voting thereon  | 18,631,095       |                 | 166,668              |                    |                         |
| 6. Approval of an amendment to add that directors may only be removed for cause and with stockholder approval   | 18,764,429       |                 | 33,334               |                    |                         |
| 7. Approval to add an anti-greenmail provision that would limit the Company's ability to make any stock repurchase from an interested stockholder   | 18,676,095       |                 |                      | 121,668            |                         |
| 8. Approval of an amendment to require that stockholder action be effected at a meeting   | 18,797,763       |                 |                      |                    |                         |
| 9. Approval of our 2005 Equity Incentive Plan   | 18,764,429       |                 | 33,334               |                    |                         |
| 10. Ratification of the selection of Marcum & Kliegman LLP as our independent registered public accounting firm for the fiscal year ended December 31, 2005   | 18,797,763       |                 |                      |                    |                         |



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In accordance with the terms set forth in the proxy statement related to the solicitation of proxies for use at the annual meeting, an abstention from voting was used for the purpose of establishing a quorum, and was considered a vote against a proposal. A broker non-vote was also used for the purpose of establishing a quorum, but was not otherwise counted in the voting process. The named directors and the above matters were each approved by the stockholders at the annual meeting.

**ITEM 5. OTHER INFORMATION**

None.

**ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K**

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 |
| 4.1                   | Form of Warrant issued to National Securities Corporation as Placement Agent   | Exhibit 4.1 of our Current Report on Form 8-K dated October 20, 2005, filed with the commission on October 26, 2005           |

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|------|--|--|
| 4.2  | 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                      |
| 4.3  | Form of Lock-Up Agreement executed by officers, directors and employees of Cardium Therapeutics, Inc.  | Exhibit 4.3 of our Current Report on Form 8-K dated October 20, 2005, filed with the commission on October 26, 2005                      |
| 4.4  | 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                           |
| 4.5  | 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 |
| 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                     |

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|-------|---|--|
| 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                          |
| 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     |

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|-------|--|--|
| 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 |
| 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 |
| 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   |

\* Indicates management contract or compensatory plan or arrangement.

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**SIGNATURES**

In accordance with the requirements of the Securities Exchange Act of 1934, as amended, Cardium Therapeutics, Inc., the registrant, caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: May 15, 2006

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.