

SECURITIES AND EXCHANGE COMMISSION

FORM 8-K

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FILER

CARDIMA INC

CIK: **1022570** | IRS No.: **943177883** | State of Incorporation: **DE** | Fiscal Year End: **1231**
Type: **8-K** | Act: **34** | File No.: **000-22419** | Film No.: **99518785**
SIC: **3842** Orthopedic, prosthetic & surgical appliances & supplies

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K
CURRENT REPORT

PURSUANT TO SECTION 13 OR 15(D) OF THE
SECURITIES EXCHANGE ACT OF 1934

Date of Report: January 27, 1999
(Date of earliest event reported: January 21, 1999)

Commission File Number: 0-22419

CARDIMA, INC.
(Exact name of Registrant as specified in its charter)

Delaware

(State of incorporation or organization)

94-3177883

(IRS Employer I.D. No.)

47266 Benicia Street, Fremont, CA 94538-7330

(Address of principal executive offices)

(510) 354-0300

(Registrant's telephone number, including area code)

Item 5. Other Events

On January 21, 1999, Cardima, Inc. (the "Company") issued and sold 5,803,500 shares of its Common Stock for a purchase price of \$2.00 per share to certain accredited investors in a private placement (the "Private Placement"). In addition, the Company issued 354,806 shares of its Common Stock to the placement agent (the "Placement Agent") in lieu of commissions payable to the Placement Agent. In addition, the Company issued the Placement Agent a warrant to purchase 580,350 shares of its Common Stock at an exercise price of \$2.20 per

share (the "Warrant"). The Company has agreed to file a registration statement on Form S-3 relating to the resale of the shares of Common Stock (1) sold in the Private Placement, (2) issued to the Placement Agent in lieu of commissions, and (3) issuable upon exercise of the Warrant.

Item 7. Financial Statements, Pro Forma Financial Information and Exhibits

(c) Exhibits

- (4.1) Form of Share Purchase Warrant
- (10.1) Form of Subscription Agreement
- (10.2) Sales Agency Agreement dated January 21, 1999
- (99) Press Release dated January 25, 1999.

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report on Form 8-K to be signed on its behalf by the undersigned hereunto duly authorized.

CARDIMA, INC.

By: /s/ Phillip Radlick, Ph.D.

Phillip Radlick, Ph.D.
President and Chief Executive Officer

Date: January 27, 1999

Warrant No. CA-1

Warrant to Purchase [] Shares

SHARE PURCHASE WARRANT

To Purchase Shares of Common Stock (par value \$0.001)

of

Cardima, Inc.
(a Delaware corporation)

Expires [], 2004

NEITHER THIS WARRANT NOR THE SHARES ISSUABLE UPON EXERCISE HEREOF MAY BE TRANSFERRED EXCEPT IN A TRANSACTION REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR WHICH IS EXEMPT FROM THE REGISTRATION REQUIREMENTS OF THAT ACT.

VOID AFTER 5:00 P.M. NEW YORK TIME, ON [], 2004

CARDIMA, INC.

WARRANT TO PURCHASE SHARES OF COMMON STOCK

[] Shares of Common Stock

THIS CERTIFIES that, for good and valuable consideration received, [] (the "Holder"), is entitled to subscribe for and purchase from Cardima,

Inc., a Delaware corporation (the "Company"), upon the terms and conditions

set forth herein, at any time or from time to time until 5:00 P.M. New York City time on [], 2004 (the "Expiration Date"), all or any portion of []

shares of common stock of the Company, par value \$0.001 per share, subject to adjustment as provided herein (the "Warrant Shares"), at a price of \$2.20 per

share, subject to adjustment as provided herein (as so adjusted, the "Exercise

Price"). This Warrant shall not be redeemable by the Company. The term "Shares"

as used herein shall mean the Company's Common Stock, par value \$0.001 per share. This Warrant is the Warrant or one of the Warrants (collectively, including any Warrant issued upon the exercise or transfer of any such Warrant, in whole or in part, the "Warrants") issued pursuant to the Sales Agency

Agreement, dated [], 1999, between the Company and Sunrise Securities Corp. (the "Sales Agency Agreement"). As used herein, the term "this Warrant"

shall mean and include this Warrant and any Warrant or Warrants hereafter issued as a consequence of the exercise or transfer of this Warrant in whole or in part. This Warrant may be assigned, in whole or in part, to (i) one or more officers or partners of the Holder (or the officers or partners of any such partner); (ii) a successor to the Holder, or the officers or partners of such successor; (iii) a purchaser of substantially all of the assets of the Holder; or (iv) by operation of law; and the term the "Holder" as used herein

shall include any transferee to whom this Warrant has been transferred in accordance with the above. No such sale, transfer, assignment or hypothecation of this Warrant, or of the Warrant Shares, will be permitted unless (a) a registration statement under the Securities Act of 1933, as amended (the "Act"), with respect thereto has become effective and appropriate

qualification or other action has been taken under state securities laws, or (b) there is presented to the Company notice of the proposed transfer and a legal opinion reasonably satisfactory to the Company that such registration and qualification or other action is not required.

1. Method of Exercise. This Warrant may be exercised at any time

prior to the Expiration Date, as to the whole or any lesser number of Warrant Shares, by the surrender of this Warrant accompanied by a duly completed and executed Notice of Exercise (in the form attached hereto) to the Company at its office at 47266 Benicia Street, Fremont, California 94538, or at such other place as may be designated in writing by the Company, together with a certified or bank cashier's check payable to the order of the Company in an amount equal to the Exercise Price multiplied by the number of Warrant Shares for which this Warrant is being exercised. In lieu of the payment of the Exercise Price, the Holder shall have the right (but not the obligation), during the Exercise Period, to require the Company to convert this Warrant, in whole or in part, into Warrant Shares as provided for in this Section 1 (the "Conversion Right").

Upon exercise of the Conversion Right, the Company shall deliver to the Holder (without payment by the Holder of the Exercise Price) that number of Shares equal to the product of (i) the number of Warrant Shares issuable upon exercise of the portion of the Warrant being converted, multiplied by (ii)

the quotient obtained by dividing (x) the value of the Warrant (on a per Warrant Share basis immediately prior to the exercise of the Conversion Right) at the time the Conversion Right is exercised (determined by subtracting the Exercise Price from the "Conversion Market Price" (as defined below)) by (y) the Conversion Market Price of one Share immediately prior to the exercise of the Conversion Right. The Conversion Rights provided under this Section 1 may

be exercised in whole or in part and at any time and from time to time while any Warrants remain outstanding. In order to exercise the Conversion Right, the Holder shall surrender to the Company, at its offices, this Warrant accompanied by a duly completed and executed Conversion Notice (in the form attached hereto). The presentation and surrender shall be deemed a waiver of the Holder's obligation to pay all or any portion of the aggregate purchase price payable for the Warrant Shares being issued upon such exercise of this Warrant. This Warrant (or so much thereof as shall have been surrendered for exercise or conversion) shall be deemed to have been exercised or converted, as the case may be, immediately prior to the close of business on the day of surrender of this Warrant for exercise or conversion in accordance with the foregoing provisions. As promptly as practicable on or after the exercise or conversion date, as the case may be, the Company shall issue and shall deliver to the Holder (i) a certificate or certificates representing the largest number of whole Warrant Shares which the Holder shall be entitled as a result of the exercise or conversion, and (ii) if such Warrant is being exercised or converted in part only, a new Warrant exercisable for the number of Warrant Shares equal to the unconverted portion of the Warrant. Upon any exercise or conversion of this Warrant, in lieu of any fractional Warrant Shares to which the Holder shall be entitled, the Company shall pay to the Holder cash in accordance with the provisions of Section 5(f) hereof. For purposes hereof,

the term "Conversion Market Price" shall be the per share closing price of the

Shares on the last trading day immediately prior to the date on which the Conversion Right is exercised, determined in accordance with the procedures set forth in Section 5(f) for determining the "Current Market Price."

2. Issuance of Certificates. Upon each exercise of the Holder's

rights to purchase Warrant Shares, the Holder shall be deemed to be the holder of record of the Warrant Shares issuable upon such exercise, notwithstanding that the transfer books of the Company shall then be closed or certificates representing such Warrant Shares shall not then have been actually delivered to the Holder. As soon as practicable after each such exercise of this Warrant, the Company shall issue and deliver to the Holder a certificate or certificates for the Warrant Shares issuable upon such exercise, registered in the name of the Holder or its designee. If this Warrant shall be exercised in part only, upon surrender of this Warrant for cancellation, the Company shall execute and deliver a new Warrant evidencing the right of the Holder to purchase the balance of the Warrant Shares subject to purchase hereunder.

3. Recording of Transfer. Any Warrants issued upon the transfer or

exercise in part of this Warrant shall be numbered and shall be registered in a Warrant Register as they are issued. The Company shall be entitled to treat the registered holder of any Warrant on the Warrant Register as the owner in fact thereof for all purposes and shall not be bound to recognize any equitable or other claim to or interest in such Warrant on the part of any other person, and shall not be liable for any registration or transfer of Warrants which are registered or to be registered in the name of a fiduciary or the nominee of a fiduciary unless made with the actual knowledge that a fiduciary or nominee is committing a breach of trust in requesting such registration or transfer, or with the knowledge of such facts that its participation therein amounts to bad faith. This Warrant shall be transferable only on the books of the Company upon delivery thereof duly endorsed by the Holder or by the Holder's duly authorized attorney or representative, or accompanied by proper evidence of succession, assignment or authority to transfer. In all cases of transfer by an attorney, executor, administrator, guardian or other legal representative, duly authenticated evidence of his or its authority shall be produced. Upon any registration of transfer, the Company shall deliver a new Warrant or Warrants to the person entitled thereto. This Warrant may be exchanged, at the option of the Holder hereof, for another Warrant, or other Warrants of different denominations, of like tenor and representing in the aggregate the right to purchase a like number of Warrant Shares, upon surrender to the Company or its duly authorized agent. Notwithstanding the foregoing, the Company shall have no obligation to cause this Warrant to be transferred on its books to any person if, in the written opinion of counsel to the Company, such transfer does not comply with the provisions of the Act and the rules and regulations thereunder.

4. Reservation of Shares. The Company shall at all times reserve

and keep available out of its authorized and unissued Shares, solely for the purpose of providing for the exercise of this Warrant, such number of shares of Shares as shall, from time to time, be sufficient therefor. The Company covenants that all Shares issuable upon exercise of this Warrant, upon receipt by the Company of the full payment therefor, shall be validly issued, fully paid, nonassessable and free of preemptive rights.

5. Exercise Price and Number of Warrant Shares Adjustments. Subject

to the provisions of this Section 5, the Exercise Price in effect from time to

time and the number of Warrant Shares purchasable upon the exercise of this Warrant shall be subject to adjustment, as follows:

(a) In case the Company shall at any time after the date hereof
(i) declare a dividend or make a distribution on the outstanding Shares payable in shares of its capital stock or securities convertible into or exchangeable for capital stock, (ii) subdivide the outstanding Shares, (iii)

combine the outstanding Shares into a smaller number of shares, or (iv) issue any shares by reclassification of the Shares (other than a change in par value, or from par value to no par value, or from no par value to par value, but including any such reclassification in connection with the consolidation or merger of the Company with or into another corporation (other than a merger in which the Company is the continuing corporation and which does not result in any reclassification or change of the then outstanding Shares or other shares issuable upon exercise of the Warrants)), then, in each case, the

Exercise Price in effect, and the number of Shares issuable upon exercise of the Warrants outstanding, at the time of the record date for such dividend or at the effective date of such subdivision, combination or reclassification, shall be proportionately adjusted so that the holders of the Warrants after such time shall be entitled to receive the aggregate number and kind of Shares which, if such Warrants had been exercised immediately prior to such time, such holders would have owned upon such exercise and immediately thereafter been entitled to receive by virtue of such dividend, subdivision, combination or reclassification. Such adjustment shall be made successively whenever any event listed above shall occur.

(b) In case the Company shall distribute to all holders of Shares (including any such distribution made to the shareholders of the Company in connection with a consolidation or merger in which the Company is the surviving or continuing corporation) evidences of its indebtedness, cash or assets (other than distributions and dividends payable in Shares), or rights, options or warrants to subscribe for or purchase Shares or securities convertible into or exchangeable for Shares, then, in each case, the Exercise Price shall be

adjusted by multiplying the Exercise Price in effect immediately prior to the record date for the determination of shareholders entitled to receive such distribution by a fraction, the numerator of which shall be the Current Market Price per Share (as determined pursuant to Section 5(f) hereof) on such record

date, less the fair market value (as determined pursuant in good faith by the Board of Directors of the Company, whose determination shall be conclusive absent manifest error) of the portion of the evidences of indebtedness or assets so to be distributed, or of such rights, options or warrants or convertible or exchangeable securities, or the amount of such cash, applicable to one Share, and the denominator of which shall be such Current Market Price per Share. Such adjustment shall become effective at the close of business on such record date.

(c) (i) In the event that the Company shall sell or issue at any time after the date hereof Shares (other than Excluded Stock, as defined below) at a consideration per share less than the Exercise Price in effect immediately prior to the time of such sale or issuance, then, upon such sale

or issuance, the Exercise Price shall be reduced to an adjusted price (calculated to the nearest cent) determined by dividing (i) the sum of (A) the total number of shares of Stock Outstanding (as defined below) immediately prior to such sale or issuance multiplied by the then-existing Exercise Price, plus (B) the aggregate of the amount of all consideration, if any, received by

the Company upon such sale or issuance, by (ii) the total number of shares of Stock Outstanding immediately after such sale or issuance.

In no event shall any such adjustment be made if it would increase the Exercise Price in effect immediately prior to such adjustment, except as provided in Section 5(c) (iv) and 5(c) (v) below.

(ii) For purposes of this Section 5(c), the following

definitions shall apply:

4

(A) "Convertible Securities" shall mean any indebtedness or

equity securities convertible into or exchangeable for Shares.

(B) "Options" shall mean any rights, warrants or options

to subscribe for or purchase Shares or Convertible Securities.

(C) "Stock Outstanding" shall mean the aggregate of all

Shares outstanding and all Shares issuable upon exercise of all outstanding Options and conversion of all outstanding Convertible Securities.

(iii) For the purposes of this Section 5(c), the following

provisions shall also be applicable:

(A) Cash Consideration. In case of the sale or issuance

(otherwise than conversion or exchange of Convertible Securities) of additional Shares, Options or Convertible Securities for cash, the consideration received by the Company therefor shall be deemed to be the amount of cash received by the Company for such Shares (or, if such Shares are offered by the Company for subscription, the subscription price, or, if such Shares are sold to underwriters or dealers for public offering without a subscription offering, the public offering price), without deducting therefrom any compensation or discount paid or allowed to underwriters or dealers or others performing similar services or for any expenses incurred in connection therewith.

(B) Non-Cash Consideration. In case of the sale or

issuance (otherwise than upon conversion or exchange of Convertible Securities) of additional Shares, Options or Convertible Securities for a consideration other than cash or a consideration a part of which shall be other than cash, the fair value of such consideration as determined by the

Board of Directors of the Company in the good faith exercise of its business judgment, irrespective of the accounting treatment thereof, shall be deemed to be the value, for purposes of this Section 5(c), of the consideration other

than cash received by the Company for such securities.

(C) Options and Convertible Securities. In case the

Company shall in any manner issue or grant any Options or any Convertible Securities, the total maximum number of Shares issuable upon the exercise of such Options or upon conversion or exchange of the total maximum amount of such Convertible Securities at the time such Convertible Securities first become convertible or exchangeable shall (as of the date of issue or grant of such Options or, in the case of the sale or issue of Convertible Securities (other than where the same are issuable upon the exercise of Options), as of the date of such sale or issue) be deemed to be issued and to be outstanding for the purpose of this Section 5(c) and to have been issued for the sum of

the amount (if any) paid for such Options or Convertible Securities and the amount (if any) payable upon the exercise of such Options or upon conversion or exchange of such Convertible Securities at the time such Convertible Securities first become convertible or exchangeable; provided that, subject to

the provisions of Section 5(c) (iv), no further adjustment of the Exercise

Price shall be made upon the actual issuance of any such Shares or Convertible Securities or upon the conversion or exchange of any such Convertible Securities.

(iv) In the event that the purchase price provided for in any Option referred to in subsection 5(c) (iii) (C) or the rate at which any

Convertible Securities referred to in subsection 5(c) (iii) (C) are convertible

into or exchangeable for Shares shall change at any time or any additional consideration shall be payable in connection with the exercise of any Option or the conversion or exchange of any Convertible Securities (other than under or by reason of provisions designed to protect against dilution upon the occurrence of events of the type described in this Section 5), then, for

purposes of any adjustment required by Section 5(c), the Exercise Price in

effect at the time of such event shall forthwith be readjusted to the Exercise Price that would have been in effect at such time had such Options or Convertible Securities still outstanding provided for such changed purchase price, conversion rate or additional consideration, as the case may be, at the time initially granted, issued or sold; provided, that if such readjustment is

an increase in the Exercise Price, such readjustment shall not exceed the amount (as

adjusted by Sections 5(a), 5(b) or 5(c)) by which the Exercise Price was
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 decreased pursuant to Section 5(c) upon the issuance of the Option or
 Convertible Securities.

(v) In the event of the termination or expiration of any
 right to purchase Shares under any Option granted after the date of this
 Warrant or of any right to convert or exchange Convertible Securities issued
 after the date of this Warrant, the Exercise Price shall, upon such
 termination, be readjusted to the Exercise Price that would have been in
 effect at the time of such expiration or termination had such Option or
 Convertible Securities, to the extent outstanding immediately prior to such
 expiration or termination, never been issued, and the Shares issuable
 thereunder shall no longer be deemed to be Stock Outstanding; provided, that

 if such readjustment is an increase in the Exercise Price, such readjustment
 shall not exceed the amount (as adjusted by Sections 5(a), 5(b) or 5(c)) by
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 which the Exercise Price was decreased pursuant to Section 5(c) upon the

 issuance of the Option or Convertible Securities. The termination or
 expiration of any right to purchase Shares under any Option granted prior to
 the date of this Warrant or of any right to convert or exchange Convertible
 Securities issued prior to the date of this Warrant shall not trigger any
 adjustment to the Exercise Price, but the shares of Stock issuable under such
 Options or Convertible Securities shall no longer be counted in determining
 the number of shares of Stock Outstanding on the date of issuance of this
 Warrant for purposes of subsequent calculations under this Section 5(c).

(vi) Notwithstanding anything herein to the contrary, the
 Exercise Price shall not be adjusted pursuant to this Section 5(c) by virtue

 of the issuance and/or sale of "Excluded Stock," which shall mean the

 following: (a) Shares, Options or Convertible Securities to be issued and/or
 sold to employees, advisors, directors, or officers of, or consultants to, the
 Company or any of its subsidiaries pursuant to a stock grant, stock option
 plan, restricted stock agreements, stock purchase plan, pension or profit
 sharing plan or other stock agreement or arrangement; (b) Shares, Options
 and/or Convertible Securities to be issued pursuant to Options and/or
 Convertible Securities outstanding as of the date of this Warrant; and (c)
 Shares and/or Options to be issued pursuant to the Sales Agency Agreement. For
 all purposes of this Section 5(c), all shares of Excluded Stock shall be

 deemed to have been issued for an amount of consideration per share equal to
 the initial Exercise Price (subject to adjustment in the manner set forth in

(d) Whenever there shall be an adjustment as provided in this Section 5, the Company shall within 15 days thereafter cause written notice

thereof to be sent by registered mail, postage prepaid, to the Holder, at its address as it shall appear in the Warrant Register, which notice shall be accompanied by an officer's certificate setting forth the adjusted number of Warrant Shares issuable hereunder and the exercise price thereof after such adjustment and setting forth a brief statement of the facts requiring such adjustment and the computation thereof, which officer's certificate shall be conclusive evidence of the correctness of any such adjustment absent manifest error.

(e) The Company shall not be required to issue fractions of Shares or other shares of the Company upon the exercise of this Warrant. If any fraction of a share would be issuable upon the exercise of this Warrant (or specified portions thereof), the Company may issue a whole share in lieu of such fraction or the Company may purchase such fraction for an amount in cash equal to the same fraction of the Current Market Price of such Shares on the date of exercise of this Warrant.

(f) The "Current Market Price" per Share on any date shall be

deemed to be the average of the daily closing prices for the Shares for the five (5) consecutive trading days immediately preceding the date in question. The closing price for each day shall be the last reported sales price regular way or, in case no such reported sale takes place on such day, the average of the closing bid and asked prices regular way, in either case on the principal national securities exchange on which the Shares are listed or admitted to trading or, if the Shares are not listed or admitted to trading on any national securities exchange, the highest reported bid price for the Shares as furnished by the National Association of Securities Dealers, Inc. through NASDAQ or a similar organization if NASDAQ is no longer reporting such information. If on any such date the Shares are not listed or admitted to trading on any national securities exchange and are not quoted by NASDAQ or any similar organization, the

Current Market Price per Share shall be the fair value of a Share on such date, as determined in good faith by the Board of Directors of the Company, whose determination shall be conclusive absent manifest error.

(g) No adjustment in the Exercise Price shall be required if such adjustment is less than \$0.05; provided, however, that any adjustments which by

reason of this Section 5(g) are not required to be made shall be carried forward

and taken into account in any subsequent adjustment. All calculations under this Section 5 shall be made to the nearest cent or to the nearest thousandth of

a share, as the case may be.

(h) Upon each adjustment of the Exercise Price as a result of the calculations made in this Section 5, the Warrants shall thereafter evidence the

right to purchase, at the adjusted Exercise Price, that number of Shares (calculated to the nearest hundredth) obtained by dividing (i) the product obtained by multiplying the number of Shares purchasable upon exercise of the Warrants prior to adjustment of the number of Shares by the Exercise Price in effect prior to adjustment of the Exercise Price by (ii) the Exercise Price in effect after such adjustment of the Exercise Price.

6. Consolidations and Mergers. (a) In case of any consolidation

with or merger of the Company with or into another corporation (other than a merger or consolidation in which the Company is the surviving or continuing corporation and which does not result in any reclassification of the outstanding Shares or the conversion of such outstanding Shares into shares of other stock or other securities or property), or in case of any sale, lease or conveyance to another corporation of the property and assets of any nature of the Company as an entirety or substantially as an entirety (such actions being hereinafter collectively referred to as "Reorganizations"), there shall thereafter be

deliverable upon exercise of this Warrant (in lieu of the number of Shares theretofore deliverable) the kind and amount of shares of stock or other securities, cash or other property which would otherwise have been deliverable, upon such Reorganization, to a holder of the number of Shares upon the exercise of this Warrant if this Warrant had been exercised in full immediately prior to such Reorganization. In case of any Reorganization, appropriate adjustment, as determined in good faith by the Board of Directors of the Company, shall be made in the application of the provisions herein set forth with respect to the rights and interests of the Holder so that the provisions set forth herein shall thereafter be applicable, as nearly as possible, in relation to any shares or other property thereafter deliverable upon exercise of this Warrant. Notwithstanding the foregoing, the Company shall not effect any such Reorganization unless upon or prior to the consummation thereof the successor corporation, or, if the Company shall be the surviving corporation in any such Reorganization and is not the issuer of the shares of stock or other securities or property to be delivered to holders of Shares outstanding at the effective time thereof, then such issuer, shall assume by written instrument the obligation to deliver to the Holder such shares of stock, securities, cash or other property as the Holder shall be entitled to purchase in accordance with the foregoing provisions.

(b) In case of any reclassification or change of the Shares issuable upon exercise of this Warrant (other than a change in par value or from no par value to a specified par value, or as a result of a subdivision or combination, but including any change in the Shares into two or more classes

or series of shares), or in case of any consolidation or merger of another corporation into the Company in which the Company is the continuing corporation and in which there is a reclassification or change (including a change to the right to receive cash or other property) of the Shares (other than a change in par value, or from no par value to a specified par value, or as a result of a subdivision or combination, but including any change in the Shares into two or more classes or series of shares), the Holder shall have the right thereafter to receive upon exercise of this Warrant solely the kind and amount of shares of stock and other securities, property, cash or any combination thereof receivable upon such reclassification, change, consolidation or merger by a holder of the number of Shares for which this Warrant might have been exercised immediately prior to such reclassification, change, consolidation or merger. Thereafter, appropriate provision shall be made for adjustments which shall be as nearly equivalent as practicable to the adjustments in Section 5.

(c) The above provisions of this Section 6 shall similarly

apply to successive Reorganizations, reclassifications and changes of Shares and to successive consolidations, mergers, sales, leases, or conveyances.

7. Notice of Certain Events. In case at any time any of the

following occur:

(a) The Company shall take a record of the holders of its Shares for the purpose of entitling them to receive a dividend or distribution payable otherwise than in cash, or a cash dividend or distribution payable otherwise than out of current or retained earnings, as indicated by the accounting treatment of such dividend or distribution on the books of the Company; or

(b) The Company shall offer to all the holders of its Shares any additional shares of capital stock of the Company or securities convertible into or exchangeable for shares of capital stock of the Company, or any option, right or warrant to subscribe therefor; or

(c) The Company shall take any action to effect any Reorganization, reclassification or change of outstanding Shares or any consolidation, merger, sale, lease or conveyance of property, in each case as described in Section 6; or

(d) The Company shall take any action to effect any liquidation, dissolution or winding-up of the Company or a sale of all or substantially all of its property, assets and business;

then, and in any one or more of such cases, the Company shall give written

notice thereof, by registered mail, postage prepaid, to the Holder at the Holder's address as it shall appear in the Warrant Register, mailed at least fifteen (15) days prior to (i) the date as of which the holders of record of Shares to be entitled to receive any such dividend, distribution, rights, warrants or other securities are to be determined, (ii) the date on which any such offer to holders of Shares is made, or (iii) the date on which any such Reorganization, reclassification, change of outstanding Shares, consolidation, merger, sale, lease, conveyance of property, liquidation, dissolution or winding-up is expected to become effective and the date as of which it is expected that holders of record of Shares shall be entitled to exchange their shares for securities or other property, if any, deliverable upon such reclassification, change of outstanding shares, consolidation, merger, sale, lease, conveyance of property, liquidation, dissolution or winding-up.

8. Registration Rights. (a) By its acceptance hereof, the Company

agrees that it shall, at its expense, (i) not later than 30 business days after the Final Closing (as defined in the Sales Agency Agreement) (the "Filing

Deadline") file a registration statement or amend an existing effective

registration statement (in either case, the "Resale Registration Statement")

with the Securities and Exchange Commission (the "Commission") to register under

the Act the resale by the undersigned of the Warrant Shares, (ii) use its reasonable best efforts to cause the Resale Registration Statement to become effective under the Act as promptly as practicable, (iii) after the Resale Registration Statement is declared effective under the Act, furnish the undersigned with such number of copies of the final prospectus included in the Resale Registration Statement (the "Prospectus") as the undersigned may

reasonably request to facilitate the resale of Warrant Shares, and (iv) use its reasonable best efforts to cause such Resale Registration Statement to remain effective until such time as the undersigned becomes eligible to resell the Warrant Shares pursuant to Rule 144 under the Act.

(b) The Company will prepare and file with the Commission such amendments and Prospectus supplements, including post-effective amendments to the Resale Registration Statement, as the Company determines may be necessary or appropriate, and use its reasonable best efforts to have such post-effective amendments declared effective as promptly as practicable; cause the Prospectus to be supplemented by any Prospectus supplement, and as so supplemented, to be filed with the Commission; and promptly notify the undersigned when a Prospectus, and any Prospectus supplement or post-effective amendment must be filed or has been filed and, with respect to any post-effective amendment, when the same has become effective.

(c) In connection with the Resale Registration Statement, the undersigned shall furnish the Company such information as the Company shall reasonably request.

(d) In connection with the Resale Registration Statement pursuant to the provisions of this Section 8, the Company shall use its best

efforts to cause the Warrant Shares so registered to be registered or qualified for sale under the securities or blue sky laws of such jurisdictions as the holders of at least a majority of all Shares underlying all Warrants issued pursuant to the Sales Agency Agreement (the "Majority Holders") may

reasonably request; provided, however, that the Company shall not be required

to qualify to do business in any state by reason of this Section 8(d) in which

it is not otherwise required to qualify to do business or otherwise subject itself to general service of process in any such state.

(e) In connection with the Resale Registration Statement pursuant to the provisions of this Section 8, the Company shall furnish the

Holder with an opinion of its counsel (reasonably acceptable to the Majority Holders) to the effect that (i) the Resale Registration Statement has become effective under the Act and no order suspending the effectiveness of the Resale Registration Statement, preventing or suspending the use of the Resale Registration Statement, any preliminary prospectus, the Prospectus or any amendment or supplement thereto has been issued, nor has the Commission or any securities or blue sky authority of any jurisdiction instituted or threatened to institute any proceedings with respect to such an order, and (ii) the Resale Registration Statement and each prospectus forming a part thereof (including each preliminary prospectus and the Prospectus), and any amendment or supplement thereto, complies as to form with the Act and the rules and regulations thereunder.

(f) The Company may at any time refuse to permit the undersigned to resell any Warrant Shares pursuant to the Resale Registration Statement upon delivery to the undersigned of a written certificate to the effect that withdrawal of the Resale Registration Statement is necessary because a sale thereunder in then current form would constitute a violation of federal securities laws. In the event of a withdrawal, the Company shall use its best efforts to amend the Resale Registration Statement and/or take all other necessary actions to again permit sales in compliance with the federal securities laws.

(g) Until the effectiveness of the Resale Registration Statement, the Company will not, without the written consent of the Majority Holders, grant to any persons the right to request the Company to register any securities of the Company, provided that the Company may grant such

registration rights to other persons so long as such rights do not conflict with the rights of the Holder.

9. Indemnification. (a) Subject to the conditions set forth below,

the Company agrees to indemnify and hold harmless the Holder, its officers, directors, partners, employees, agents and counsel, and each person, if any, who controls any such person within the meaning of Section 15 of the Act or Section 20(a) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"),

from and against any and all loss, liability, charge, claim, damage and expense whatsoever (which shall include, for all purposes of this Section 9, without

limitation, reasonable attorneys' fees and any and all expense whatsoever incurred in investigating, preparing or defending against any litigation, commenced or threatened, or any claim whatsoever, and any and all amounts paid in settlement of any claim or litigation), as and when incurred, arising out of, based upon, or in connection with (i) any untrue statement or alleged untrue statement of a material fact contained (A) in the Resale Registration Statement, preliminary prospectus or the Prospectus (as from time to time amended and supplemented), or any amendment or supplement thereto, relating to the sale of any of the Warrant Shares, or (B) in any application or other document or communication (in this Section 9 collectively called an "application") executed

by or on behalf of the Company or based upon written information furnished by or on behalf of the Company filed in any jurisdiction in order to register or qualify any of the Warrants and/or the Warrant Shares under the securities or blue sky laws thereof or filed with the Commission or any securities exchange; or any omission or alleged omission to state a material fact required to be stated therein or necessary to make the statements therein not misleading, unless such statement or omission was made in reliance upon and in conformity with written information furnished to the Company with respect to the Holder by or on behalf of such person expressly for inclusion in the Resale Registration Statement, preliminary prospectus or the Prospectus, or any amendment or supplement thereto, or in any application, as the

case may be, or (ii) any breach of any representation, warranty, covenant or agreement of the Company contained in this Warrant. The foregoing agreement to indemnify shall be in addition to any liability the Company may otherwise have, including liabilities arising under this Warrant.

If any action is brought against the Holder or any of its officers, directors, partners, employees, agents or counsel, or any controlling persons of such person (an "indemnified party") in respect of which indemnity may be sought

against the Company pursuant to the foregoing paragraph, such indemnified party or parties shall promptly notify the Company in writing of the institution of such action (but the failure so to notify shall not relieve the Company from any

liability pursuant to this Section 9(a) except to the extent the Company has

been prejudiced in any material respect by such failure) and the Company shall promptly assume the defense of such action, including the employment of counsel (reasonably satisfactory to such indemnified party or parties) and payment of expenses. Such indemnified party or parties shall have the right to employ its or their own counsel in any such case, but the fees and expenses of such counsel shall be at the expense of such indemnified party or parties unless the employment of such counsel shall have been authorized in writing by the Company in connection with the defense of such action or the Company shall not have promptly employed counsel reasonably satisfactory to such indemnified party or parties to have charge of the defense of such action or such indemnified party or parties shall have reasonably concluded that there may be one or more legal defenses available to it or them or to other indemnified parties which are different from or additional to those available to the Company, in any of which events such fees and expenses shall be borne by the Company, and the Company shall not have the right to direct the defense of such action on behalf of the indemnified party or parties. Anything in this Section 9 to the contrary

notwithstanding, the Company shall not be liable for any settlement of any such claim or action effected without its written consent, which shall not be unreasonably withheld. The Company shall not, without the prior written consent (which shall not be unreasonably withheld) of each indemnified party that is not released as described in this sentence, settle or compromise any action, or permit a default or consent to the entry of judgment in or otherwise seek to terminate any pending or threatened action, in respect of which indemnity may be sought hereunder (whether or not any indemnified party is a party thereto), unless such settlement, compromise, consent or termination includes an unconditional release of each indemnified party from all liability in respect of such action. The Company agrees promptly to notify the Holder of the commencement of any litigation or proceedings against the Company or any of its officers or directors in connection with the sale of any Warrant Shares or any preliminary prospectus, prospectus, registration statement or amendment or supplement thereto, or any application relating to any sale of any Warrant Shares.

(b) The Holder agrees to indemnify and hold harmless the Company, each director of the Company, each officer of the Company who shall have signed any registration statement covering Warrant Shares held by the Holder and any Eligible Holder, each other person, if any, who controls the Company within the meaning of Section 15 of the Act or Section 20(a) of the Exchange Act, and its or their respective counsel, to the same extent as the foregoing indemnity from the Company to the Holder in Section 9(a), but only

with respect to statements or omissions, if any, made in the Resale Registration Statement or the Prospectus, or any amendment or supplement thereto, or in any application, in reliance upon and in conformity with written information furnished to the Company with respect to the Holder by or on behalf of the Holder expressly for inclusion in the Resale Registration Statement or the Prospectus, or any amendment or supplement thereto, or in any application, as the case may be; provided, however, that the Holder shall not

be liable in an amount greater than the gross proceeds received by the Holder in connection with the sale of the Holder's Warrant Shares. If any action shall be brought against the Company or any other person so indemnified based on the Resale Registration Statement or the Prospectus, or any amendment or supplement thereto, or in any application, and in respect of which indemnity may be sought against the Holder pursuant to this Section 9(b), the Holder

shall have the rights and duties given to the Company, and the Company and each other person so indemnified shall have the rights and duties given to the indemnified parties, by the provisions of Section 9(a).

(c) To provide for just and equitable contribution, if (i) an indemnified party makes a claim for indemnification pursuant to Section 9(a) or 9(b) (subject to the limitations thereof) but it is found in a final judicial determination, not subject to further appeal, that such indemnification may not be enforced in such

10

case, even though this Warrant expressly provides for indemnification in such case, or (ii) any indemnified or indemnifying party seeks contribution under the Act, the Exchange Act or otherwise, then the Company (including for this purpose any contribution made by or on behalf of any director of the Company, any officer of the Company who signed the Resale Registration Statement, any controlling person of the Company, and its or their respective counsel), as one entity, and the holders of all Shares included in the Resale Registration Statement in the aggregate (including for this purpose any contribution made by or on behalf of an indemnified party), as a second entity, shall contribute to the losses, liabilities, claims, damages and expenses whatsoever to which any of them may be subject, on the basis of relevant equitable considerations such as the relative fault of the Company and such holders in connection with the facts which resulted in such losses, liabilities, claims, damages and expenses. The relative fault, in the case of an untrue statement, alleged untrue statement, omission or alleged omission, shall be determined by, among other things, whether such statement, alleged statement, omission or alleged omission relates to information supplied by the Company or by such holders, and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement, alleged statement, omission or alleged omission. The Company and the Holder agree that it would be unjust and inequitable if the respective obligations of the Company and the holders of the Shares included in the Resale Registration Statement for contribution were determined by pro rata or per capita allocation of the aggregate losses, liabilities, claims, damages and expenses (even if the Holder and the other holders were treated as one entity for such purpose) or by any other method of allocation that does not reflect the equitable considerations referred to in this Section 9(c). In no case shall any holder of the Shares included in the

Resale Registration Statement be responsible for a portion of the contribution obligation imposed on all holders of the Shares included in the Resale Registration Statement in excess of its pro rata share based on the number of Shares owned (or which would be owned upon exercise of all Warrants) by it and included in such registration as compared to the number of Shares owned (or which would be owned upon exercise of all Warrants) by all such holders and included in such registration, nor shall any holder of the Shares included in the Resale Registration Statement be responsible for an amount greater than the gross proceeds received by such holder in connection with the applicable registration. No person guilty of a fraudulent misrepresentation (within the meaning of Section 11(f) of the Act) shall be entitled to contribution from any person who is not guilty of such fraudulent misrepresentation. For purposes of this Section 9(c), each person, if any, who controls any holder of

the Shares included in the Resale Registration Statement within the meaning of Section 15 of the Act or Section 20(a) of the Exchange Act and each officer, director, partner, employee, agent and counsel of each such holder or control person shall have the same rights to contribution as such holder or control person, and each person, if any, who controls the Company within the meaning of Section 15 of the Act or Section 20(a) of the Exchange Act, each officer of the Company who shall have signed the Resale Registration Statement, each director of the Company and its or their respective counsel shall have the same rights to contribution as the Company, subject in each case to the provisions of this Section 9(c). Anything in this Section 9(c) to the contrary

notwithstanding, no party shall be liable for contribution with respect to the settlement of each claim or action effected without its written consent. This Section 9(c) is intended to supersede any right to contribution under the Act,

the Exchange Act or otherwise.

(d) Notwithstanding anything to the contrary contained in this Section 9 or elsewhere herein, to the extent the Commission requires that, in

order to register the Warrant Shares in any registration statement contemplated hereunder without the Holder having previously exercised the Warrants, this Warrant be included in the Resale Registration Statement or if the Majority Holders otherwise request, then the Company shall so include this Warrant in the Resale Registration Statement and, in any such case, the terms of this Section 9 shall be deemed to apply to this Warrant to the same extent as to the Warrant Shares.

10. Taxes. The issuance of any Warrant Shares or other securities

upon the exercise of this Warrant and the delivery of certificates or other instruments representing such Warrant Shares or other securities shall be made without charge to the Holder for any tax or other charge in respect of such issuance. The Company shall not, however, be required to pay any tax which may be payable in respect of any transfer involved in the issue and delivery of any certificate in a name other than that of the Holder (except for any tax that is

payable in respect of any such transfer and any related exercise of this Warrant and that would be payable pursuant to the first sentence of this Section 10 were -----

such certificate to be issued in the name of the Holder) and the Company shall not be required to issue or deliver any such certificate unless and until the person or persons requesting the issue thereof

shall have paid to the Company the amount of such tax or shall have established to the satisfaction of the Company that such tax has been paid.

11. Legend. The certificate or certificates evidencing the Warrant -----

Shares shall bear the following legend (until such time as the applicable Warrant Shares are sold under an effective registration statement or pursuant to Rule 144 under the Act):

"THE SHARES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR STATE SECURITIES LAWS, BUT HAVE BEEN ISSUED OR TRANSFERRED PURSUANT TO AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE ACT. SUCH SHARES MAY NOT BE OFFERED OR SOLD EXCEPT PURSUANT TO (i) A REGISTRATION STATEMENT UNDER SUCH ACT, OR (ii) AN EXEMPTION FROM REGISTRATION UNDER SUCH ACT."

12. Replacement of Warrants. Upon receipt of evidence satisfactory -----

to the Company of the loss, theft, destruction or mutilation of any Warrant (and upon surrender of any Warrant if mutilated), and upon reimbursement of the Company's reasonable incidental expenses, the Company shall execute and deliver to the Holder thereof a new Warrant of like date, tenor and denomination.

13. No Rights as Stockholder. The Holder of any Warrant shall not -----

have, solely on account of such status, any rights of a stockholder of the Company, either at law or in equity, or to any notice of meetings of stockholders or of any other proceedings of the Company, except as provided in this Warrant.

14. Notices. All notices, requests, consents and other -----

communications hereunder shall be in writing and shall be deemed to have been duly made when delivered, or mailed by registered or certified mail, return receipt requested:

(a) If to the registered Holder of this Warrant, to the address of such Holder as shown on the Warrant Register; or

(b) If to the Company, to the address set forth on the first

page of this Warrant or to such other address as the Company may designate by notice to the Holder.

15. Successors. All the covenants, agreements, representations and

warranties contained in this Warrant shall bind the parties hereto and their respective heirs, executors, administrators, distributees, successors and assigns.

16. Headings. The Article and Section headings in this Warrant are

inserted for purposes of convenience only and shall have no substantive effect.

17. Governing Law. This Warrant shall be construed in accordance

with the laws of the State of New York applicable to contracts made and performed within such State, without regard to principles of conflicts of law.

18. Modification of Agreement. This Warrant shall not otherwise be

modified, supplemented or amended in any respect unless such modification, supplement or amendment is in writing and

signed by the Company and the Holder of this Warrant and Holders of any portion of the Warrant subsequently assigned or transferred in accordance with the terms of this Warrant.

19. Consent to Jurisdiction. The Company and the Holder irrevocably

consent to the jurisdiction of the courts of the State of New York and of any federal court located in such State in connection with any action or proceeding arising out of or relating to this Warrant, any document or instrument delivered pursuant to, in connection with or simultaneously with this Warrant, or a breach of this Warrant or any such document or instrument. In any such action or proceeding, the Company waives personal service of any summons, complaint or other process and agrees that service thereof may be made in accordance with Section 14 hereof.

IN WITNESS WHEREOF, the undersigned has executed this instrument as of the date set forth below.

Dated: [], 1999 CARDIMA, INC.

By: _____

Name: _____

Title: _____

13

FORM OF ASSIGNMENT

(To be executed by the registered holder if such holder desires to transfer the Warrant)

FOR VALUE RECEIVED, _____ hereby sells, assigns, and transfers unto _____, having an address at _____, the attached Warrant to the extent of the right to purchase shares of Common Stock, par value \$0.001 per share, of Cardima, Inc., Incorporated (the "Company"), together with

all right, title, and interest therein, and does hereby irrevocably constitute and appoint _____ as attorney to transfer such Warrant on the books of the Company, with full power of substitution.

Dated: _____, _____

Print name of holder of Warrant

By: _____

Name:

Title:

NOTICE

The signature on the foregoing Assignment must correspond to the name as written upon the face of this Warrant in every particular, without alteration or enlargement or any change whatsoever.

14

NOTICE OF EXERCISE

The undersigned hereby exercises its rights to purchase

_____ Warrant Shares covered by the within Warrant and tenders payment herewith in the amount of \$ _____ in accordance with the terms thereof, and requests that certificates for such securities be issued in the name of, and delivered to:

(Print Name, Address and Social Security
or Tax Identification Number)

and, if such number of Warrant Shares shall not be all the Warrant Shares covered by the within Warrant, that a new Warrant for the balance of the Warrant Shares covered by the within Warrant be registered in the name of, and delivered to, the undersigned at the address stated below.

Dated: _____

Name: _____
(Print)

(Signature)

(Signature must conform to the name of
the warrant Holder specified on the
face of the Warrant)

Address:

15

CONVERSION NOTICE

The undersigned hereby exercises its Conversion Rights to receive _____ Warrant Shares covered by the within Warrant. Based upon a Conversion Market Price of \$ _____ per Share, the undersigned hereby requests that a certificate for such Warrant Shares be issued in the name of, and delivered to:

(Print Name, Address and Social Security
or Tax Identification Number)

and, if such number of Warrant Shares shall not be all the Warrant Shares covered by the within Warrant, that a new Warrant for the balance of the Warrant Shares covered by the within Warrant be registered in the name of, and delivered to, the undersigned at the address stated below.

Dated: _____

Name: _____
(Print)

(Signature)
(Signature must conform to the name of
the warrant Holder specified on the
face of the Warrant)

Address:

CARDIMA, INC.

SUBSCRIPTION AGREEMENT

Cardima, Inc.
47266 Benicia Street
Fremont, California 94538-7330
Attn.: President

Ladies and Gentlemen:

1. Subscription. The undersigned is hereby purchasing from Cardima,

Inc., a Delaware corporation (the "Company"), _____ shares (the

"Shares") of the Company's common stock, par value \$0.001 (the "Common Stock"),

for a purchase price of \$2.00 per share and an aggregate purchase price of
\$_____ (the "Purchase Price"). This Subscription is being made in
connection with the Company's private placement of Shares solely to "Accredited
Investors" (the "Offering"). The Terms of the Offering are more specifically

described on Annex A hereto.

2. Closing. On the date hereof (the "Closing"), payment of the Purchase

Price is being made by electronic wire transfer in accordance with the following
instructions:

Bank Name: Chase, NYC
ABA #: 021000021
Credit: United States Trust Company of New York
Account #: 920-1-073195

Further Credit: Sunrise/Cardima, Inc.
Account #: 09032800
Attention: James Logan

or by delivery of a bank check or certified check made payable to "Cardima, Inc. - Escrow Account," in either case against delivery to the undersigned of a certificate representing the Shares. All checks should be delivered, together with an executed copy of this Subscription Agreement, to the Placement Agent for

this Offering as follows:

-1-

Sunrise Securities Corp.
135 East 57th Street
11th floor
New York, New York
Attention: Alan Swerdloff, Vice President

3. Representations and Warranties of the Company. To induce the

undersigned to enter into this Agreement and to purchase the Shares, the Company hereby represents and warrants to the undersigned the following:

(a) Organization Standing, Etc. The Company is a corporation duly

organized, validly existing and in good standing under the laws of the State of Delaware and has the requisite corporate power and authority to own or lease its properties and to carry on its business as it is now being conducted. The Company has the requisite corporate power and authority to issue the Shares and to perform its obligations under this Subscription Agreement.

(b) Valid Issuance. The Shares, when issued and delivered pursuant to

terms of this Subscription Agreement, will be duly authorized, validly issued and enforceable in accordance with their respective terms and the terms of this Subscription Agreement.

(c) Corporate Acts and Proceedings. This Subscription Agreement and

the Offering have been duly authorized by all necessary corporate action on behalf the Company. This Subscription Agreement has been duly executed and delivered by authorized officers of the Company, is a valid and binding agreement on the part of the Company and is enforceable against the Company in accordance with its terms. All corporate actions necessary to the authorization, creation, issuance and delivery of the Shares and the conducting of the Offering have been taken by the Company.

(d) Compliance with Applicable Laws and Other Instruments. Neither

the execution or delivery of, nor the performance of or compliance with this Subscription Agreement, the issuance of the Shares nor the consummation of the transactions contemplated hereby will, with or without the giving of notice or passage of time, result in any material breach of, or constitute a material default under, or result in the imposition of any material lien or encumbrance upon any asset or property of the Company pursuant to, any material agreement or other instrument to which the Company is a party or by which it or any of its properties, assets or rights is bound or affected, and will not violate the Company's Certificate of Incorporation or Bylaws.

(e) Securities Laws. Based in part upon the representations of the

undersigned in Section 5 hereof, no consent, authorization, approval, permit or

order of or filing with any governmental or regulatory authority is required
under current laws and regulations in

-2-

connection with the execution and delivery of this Agreement or the offer,
issuance, sale or delivery of the Shares, other than (i) the filing of a Form
D pursuant to Regulation D under the Securities Act of 1933, as amended (the
"Act"), (ii) the filing, if required, of any notice with any state whose

laws require such filing, and (iii) the qualification thereof, if required,
under other applicable state laws, which qualification has been or will be
effected as a condition of the Offering. Under the circumstances contemplated
by this Subscription Agreement, the offer, issuance, sale and delivery of the
Shares will not, under current laws and regulations, require compliance with
the prospectus delivery or registration requirements in the Act.

(f) Capital Stock. The authorized and issued capital stock of the

Company as of the Closing is correctly set forth in the unaudited interim
financial statements for the quarter ended September 30, 1998. All of the
outstanding shares of the Company were duly authorized and validly issued and
are fully paid and nonassessable. Except as described in the Company's Annual
Report on Form 10-K for the fiscal year ended December 31, 1997, as amended (the
"Form 10-K"), quarterly report on Form 10-Q for the quarter ended March 31,

1998, as amended, quarterly report on Form 10-Q for the quarter ended June 30,
1998, as amended, or quarterly report on Form 10-Q for the quarter ended
September 30, 1998 (collectively, the "SEC Filings"), in each case as filed with

the Securities and Exchange Commission (the "Commission"), there are no

outstanding subscriptions, options, warrants, calls, contracts, demands,
commitments, convertible securities or other agreements or arrangements of any
character or nature whatever, other than in connection with the Offering,
pursuant to which the Company is obligated to issue any securities of any kind
representing an ownership interest in the Company. Neither the offer nor the
issuance or sale of the Shares constitutes an event under any anti-dilution
provisions of any securities issued (or issuable pursuant to outstanding rights,
warrants or options) by the Company or any agreements with respect to the
issuance of securities by the Company, which will either increase the number of
securities issuable pursuant to such provisions or decrease the consideration
per share to be received by the Company pursuant to such provisions. No holder
of any securities of the Company is entitled to any preemptive or similar rights
to purchase any securities of the Company in connection with the Offering.

(g) Executive Summary; SEC Filings. The Company has furnished the

undersigned a copy of an Executive Summary dated December 9, 1998 (the
"Executive Summary"). The Company has furnished, or made available through the

EDGAR Internet web site of the Commission, to the undersigned true and complete
copies of the SEC Filings. As of their respective filing dates, the SEC Filings
complied in all material respects with the applicable requirements of the
Exchange Act of 1934, as amended (the "Exchange Act"). Neither the Executive

Summary nor the SEC Filings as of their respective dates contained any untrue
statement of a material fact or omitted to state a material fact required to be
stated therein or necessary in order to make the statements made therein, in the
light of the circumstances under which they were made, not misleading, except to
the extent amendments thereto were made in compliance with Commission rules and
regulations subsequent to the date thereof.

-3-

4. Transfer Restrictions.

(a) The undersigned realizes that the Shares are not registered under
the Act or any foreign or state securities laws. The undersigned agrees that
the Share will not be sold, offered for sale, pledged, hypothecated or otherwise
transferred (collectively, "Transfer"), except in compliance with the Act and

applicable foreign and state securities laws. The undersigned understands that
he can only Transfer the Shares pursuant to registration under the Act or
pursuant to an exemption therefrom. The undersigned understands that to
Transfer the Shares may require in certain jurisdictions specific approval by
the appropriate governmental agency or commission in such jurisdiction. The
undersigned has been advised that, except as set forth in Section 6 hereof, the

Company has no obligation, and does not intend, to cause the Shares to be
registered under the Act or the securities law of any other jurisdiction or to
comply with the requirements for any exemption under the Act, including but not
limited to, those provided by Rule 144 and Rule 144A promulgated under the Act,
or under the securities law of any other jurisdiction.

(b) To enable the Company to enforce the transfer restrictions
contained in Section 4(a) hereof, the undersigned hereby consents to the placing

of legends upon, and stop-transfer orders with the transfer agent of the Common
Stock with respect to, the Shares.

5. Representations and Warranties of the Undersigned. To induce the

Company to accept the undersigned's subscription, the undersigned hereby

represents and warrants to the Company that:

(a) the undersigned, if an individual, has reached the age of majority in the jurisdiction in which he resides, is a bona fide resident of the jurisdiction contained in the address set forth on the signature page of this Subscription Agreement, is legally competent to execute this Subscription Agreement, and does not intend to change residence to another jurisdiction;

(b) the undersigned, if an entity, is duly authorized to execute this Subscription Agreement and this Subscription Agreement, when executed and delivered by the undersigned, will constitute a legal, valid and binding obligation enforceable against he undersigned in accordance with its terms; and the execution, delivery and performance of this Subscription Agreement and the consummation of the transactions contemplated hereby have been duly authorized by all requisite corporate or other necessary action on the part of the undersigned;

(c) the Shares subscribed for hereby are being acquired by the undersigned for investment purposes only, for the account of the undersigned and not with the view to any resale or distribution thereof, and the undersigned is not participating, directly or indirectly, in a distribution of such Shares and will not take, or cause to be taken, any action that would cause the undersigned to be deemed an "underwriter" of such Shares as defined in Section 2(11) of the Act;

-4-

(d) the undersigned has had access to all materials, books, records, documents and information relating to the Company which the undersigned has requested, including (i) the Executive Summary, (ii) the SEC Filings, and (iii) the Company's Proxy Statement dated April 23, 1998 (the "Proxy Statement"), and

has been provided the opportunity to verify the accuracy of the information contained therein;

(e) the undersigned acknowledges and understands that investment in the Share involves a high degree of risk, including without limitation, the risks set forth in the Executive Summary and in the SEC Filings under the caption "Factors Affecting Future Results" in "Management's Discussion and Analysis of Financial Condition and Results of Operations";

(f) the undersigned acknowledges that the undersigned has been offered an opportunity to ask questions of, and receive answers from, officers of the Company concerning all material aspects of the Company and its business and the Offering, and that any request for such information has been fully complied with to the extent the Company possesses such information or can acquire it without unreasonable effort or expense;

(g) the undersigned has such knowledge and experience in financial and business matters that the undersigned is capable of evaluating the merits and

risks of an investment in the Company and can afford a complete loss of his investment in the Company;

(h) The undersigned has, in connection with its decision to purchase the Shares, relied solely upon this Agreement, the Executive Summary, SEC Filings and the Proxy Statement.

(i) The undersigned represents and warrants to and covenants with the Company that the undersigned has not engaged and will not engage in any sales of the Shares, including a short sale covered by the Shares, prior to the effectiveness of the Resale Registration Statement (as defined in Section 6),

except to the extent that any such short sale is fully covered by shares of Common Stock of the Company other than the Shares, or such sale is otherwise exempt from registration under the Act.

(j) the undersigned recognizes that no governmental agency has passed upon the issuance of the Shares or made any finding or determination as to the fairness of this Offering;

(k) if the undersigned is purchasing the Shares subscribed for hereby in a representative or fiduciary capacity, the representations and warranties contained herein shall be deemed to have been made on behalf of the person or persons for whom such Shares are being purchased;

(l) the undersigned has not entered into any agreement to pay commissions to any persons with respect to the purchase or sale of the Shares, except commissions for which the undersigned will be responsible;

-5-

(m) the undersigned acknowledges that the Company will pay to Sunrise Securities Corp. a commission with respect to the sale of the Shares by the Company to the undersigned (except to the extent otherwise provided in Annex A)

of (i) 8.0% of the aggregate Purchase Price, payable at the option of Sunrise Securities Corp. in cash or shares of Common Stock valued at \$2.00 per share, and (ii) five-year warrants to purchase, at a purchase price of \$2.20 per share, that number of shares of Common Stock equal to 10% of the number of Shares being purchased by the undersigned hereunder; and

(n) the undersigned is an "Accredited Investor" as that term is defined in Section 501(a) of Regulation D promulgated under the Act. Specifically the undersigned is (check appropriate item(s)):

[] (i) a bank as defined in Section 3(a)(2) of the Act, or a savings and loan association or other institution as defined in Section 3(a)(5)(A) of the Act whether acting in its individual or fiduciary capacity; a broker or dealer registered pursuant to Section 15 of the Exchange Act; an insurance company as defined in Section 2(13) of the Act; an investment company

registered under the Investment Company Act of 1940 or a business development company as defined in Section 2(a)(48) of that Act; a Small Business Investment Company licensed by the U.S. Small Business Administration under Section 301(c) of (d) of the Small Business Investment Act of 1958; a plan established and maintained by a state, its political subdivisions, for the benefit of its employees, if such plan has total assets in excess of \$5,000,000, an employee benefit plan within the meaning of the Employment Retirement Income Security Act of 1974, if the investment decision is made by a plan fiduciary, as defined in Section 3(21) of such Act, which is either a bank, savings and loan association, insurance company, or registered investment advisor, or if the employee benefit plan has total assets in excess of \$5,000,000, or if a self-directed plan, with investment decisions made solely by persons that are Accredited Investors;

(ii) a private business development company as defined in Section 202(a)(22) of the investment Advisers Act of 1940;

(iii) an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended, corporation, Massachusetts or similar business trust, or partnership, not formed for the specific purpose of acquiring Shares, with total assets in excess of \$5,000,000;

(iv) a director or executive officer of the Company;

(v) a natural person whose individual net worth, or joint net worth with that person's spouse, at the time of his or her purchase exceeds \$1,00,000;

-6-

(vi) a natural person who had an individual income (not including his or her spouse's income) in excess of \$200,000 in 1996 and 1997 or joint income with his or her spouse in excess of \$300,000 in each of those years and has a reasonable expectation of reaching such income level in 1998;

(vii) a trust, with total assets in excess of \$5,000,000, not formed for the specific purpose of acquiring Shares, whose purchase is directed by a person having such knowledge and experience in financial and business matters that he or she is capable of evaluating the merits and risks entailed in the purchase of Shares; or

(viii) an entity in which all of the equity owners are Accredited Investors. (If this alternative is checked, the undersigned must identify each equity owner and provide statements signed by each demonstrating how each is qualified as an Accredited Investor.)

6. Registration of Shares under the Act.

(a) By its acceptance hereof, the Company agrees that it shall, at its expense, (i) not later than 30 business days after the final closing of the

Offering (the "Filing Deadline") file a registration statement or amend an

existing effective registration statement (in either case, the "Resale

Registration Statement") with the Commission to register under the Act the

resale by the undersigned of the Shares, (ii) use its reasonable best efforts to cause the Resale Registration Statement to become effective under the Act as promptly as practicable, (iii) after the Resale Registration Statement is declared effective under the Act, furnish the undersigned with such number of copies of the final prospectus included in the Resale Registration Statement (the "Prospectus") as the undersigned may reasonably request to facilitate the

resale of Shares, and (iv) use its reasonable best efforts to cause such Registration Statement to remain effective until such time as the undersigned becomes eligible to resell the Shares pursuant to Rule 144 under the Act.

(b) The Company will prepare and file with the Commission such amendments and Prospectus supplements, including post-effective amendments to the Resale Registration Statement, as the Company determines may be necessary or appropriate, and use its reasonable best efforts to have such post-effective amendments declared effective as promptly as practicable; cause the Prospectus to be supplemented by any Prospectus supplement, and as so supplemented, to be filed with the Commission; and promptly notify the undersigned when a Prospectus, and any Prospectus supplement or post-effective amendment must be filed or has been filed (including any filing in response to a Sale Notice) and, with respect to any post-effective amendment, when the same has become effective.

(c) In connection with the Resale Registration Statement, the undersigned shall furnish the Company such information as the Company shall reasonably request.

-7-

(d) The Company acknowledges that the undersigned and other purchasers of Shares will suffer damages if the Company fails to fulfill its obligation to file a Resale Registration Statement by the Filing Deadline, and that it would not be feasible to ascertain the extent of such damages. Accordingly, in the event that the Company shall fail to file a timely Resale Registration Statement in accordance with Section 6(a)(i) above, the Company shall issue to the

undersigned, as compensation therefor, shares of Common Stock equal to (i) 1% of the Shares for each 30 days or part thereof the filing is delayed until 60 days after the Filing Deadline, and (ii) 2% of the Shares for each 30 days or part thereof the filing is delayed from 60 days after the Filing Deadline; provided,

however, that the Company shall not be required to issue such shares if such

failure has been caused by (a) the failure of the undersigned to provide

information in connection with the Resale Registration Statement in accordance with Section 6(d) above, or (b) the occurrence of a material event not in the

ordinary course which may delay the filing of the Resale Registration Statement pending public disclosure, which disclosure shall be promptly made by the Company.

(e) At any time the Company may refuse to permit the undersigned to resell any Shares pursuant to the Resale Registration Statement; provided,

however, that in order to exercise this right, the Company must deliver a

certificate in writing to the undersigned to the effect that withdrawal of such Resale Registration Statement is necessary because a sale pursuant to the Resale Registration Statement in its then-current form could constitute a violation of the federal securities laws. In such an event, the Company shall use its best efforts to amend the Resale Registration Statement if necessary and take all other actions necessary to allow such sale under the federal securities laws, and shall notify the undersigned promptly after it has determined that such sale has become permissible under the federal securities laws. The undersigned hereby covenants and agrees that it will not sell any Shares pursuant to the Resale Registration Statement during the periods the Resale Registration Statement is withdrawn as set forth in this Section 6(e).

7. Indemnification.

(a) The undersigned understands the meaning and legal consequences of the representations and warranties made by the undersigned in this Subscription Agreement, and agrees to indemnify and hold harmless the Company and each of the Company's directors, officers, stockholders, employees, counsel, agents, successors and assignees from and against any and all loss, damage, liability or expenses (including, without limitation, attorneys' fees), as and when incurred, due to or arising out of (in such case in whole or in part) any breach of any representation or warranty made by the undersigned set forth herein or in any other agreement or other document furnished by the undersigned to any of the foregoing in connection with the Offering, any failure by the undersigned to fulfill any of its covenants or agreements set forth herein, or arising out of the resale or distribution by the undersigned of the Shares or any portion thereof in violation of the Act or any applicable foreign or state securities or "blue sky" law.

-8-

(b) The Company understands the meaning and legal consequences of the representations and warranties made by it in this Subscription Agreement, and agrees to indemnify and hold harmless the undersigned and each of the undersigned's directors, officers, stockholders, employees, counsel, agents, successors and assigns from and against any and all loss, damage, liability or

expense (including, without imitation, attorneys' fees), as and when incurred, due to or arising out of (in each case in whole or in part) any breach of any representation or warranty made by the Company set forth herein, or any failure by the Company to fulfill any of its covenants or agreements set forth herein.

(c) To the extent permitted by law, the Company will indemnify and hold harmless each holder of Shares included in the Resale Registration Statement (a "Holder"), the directors, if any, of such Holder, the officers, if

any, of such Holder, and each person, if any, who controls such Holder within the meaning of the Act or the Exchange Act, against any losses, claims, damages, expenses or liabilities to which any of them may become subject, under the Act, the Exchange Act or otherwise, insofar as such losses, claims, damages, expenses or liabilities (or actions or proceedings, whether commenced or threatened, in respect thereof) arise out of or are based upon any of the following statements, omissions or violation (collectively, a "Violation"): (i) any untrue statement

or alleged untrue statement of a material fact contained in the Resale Registration Statement, including any preliminary prospectus or final prospectus contained therein or any amendments or supplements thereto, (ii) the omission or alleged omission to state therein a material fact required to be stated therein, or necessary to make the statements therein, in light of the circumstances in which they were made, not misleading, or (iii) any violation or alleged violation by the Company of the Act, the Exchange Act, any state securities law or any rule or regulation promulgated under the Act, the Exchange Act or any state securities law; and the Company will reimburse the Holders and each such controlling person, promptly as such expenses are incurred, for any legal or other expenses reasonably incurred by them in connection with investigating or defending any such loss, claim, damage, liability, action or proceeding.

(d) To the extent permitted by law, each Holder, severally and not jointly, will indemnify and hold harmless, to the same extent and in the same manner set forth in Section 7(c), the Company, each of its directors and

officers who have signed the Resale Registration Statement, and each person, if any, who controls the Company within the meaning of the Act or the Exchange Act, against any losses, claims, damages or liabilities to which any of them may become subject, under the Act, the Exchange Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions or proceedings, whether commenced or threatened in respect thereof) arise out of or are based upon any Violation, in each case to the extent (and only to the extent) that such Violation occurs in reliance upon and in conformity with written information furnished by such Holder expressly for use in connection with the Resale Registration Statement; and such Holder will reimburse such persons for any legal or other expenses reasonably incurred by any of them in connection with investigating or defending any such loss, claim, damage, liability or action.

(e) With respect to the indemnification set forth in Sections 7(c) or

(d) above, to the extent any indemnification by an indemnifying party is

prohibited or limited by law, the indemnifying party agrees to make the maximum contribution with respect to any amounts for which it would otherwise be liable under said Sections 7(c) or (d) to the extent permitted by law; provided that

(i) no contribution shall be made under circumstances where the maker would not have been liable for indemnification under the fault standards set forth in said Sections 7(c) or (d), and (ii) no party guilty of fraudulent misrepresentation

(within the meaning of Section 11 of the Act) shall be entitled to contribution from any party who was not guilty of such fraudulent misrepresentation.

8. Further Documents. The undersigned agrees that it will execute such

other documents as may be necessary or desirable in connection with the transactions contemplated hereby.

9. Modification. Neither this Subscription Agreement nor any provisions

hereof shall be waived, modified, discharged or terminated except by an instrument in writing signed by the party against whom any such waiver, modification, discharge or termination is sought.

10. Notices. Any notice or other communication required or permitted to

be given hereunder shall be in writing and shall be mailed by certified mail, return receipt requested, or by Federal Express, Express Mail or similar overnight delivery or courier service and delivered against receipt to the party to whom it is to be given, (i) if to the Company, at the address set forth on the first page hereof, (ii) if to the undersigned, at its address set forth on the signature page hereto, or (iii) in either case, to such other address as the party shall have furnished in writing in accordance with the provisions of this Section 10. Notice to the estate of any party shall be sufficient if

addressed to the party as provided in Section 10. Any notice or other

communication given by certified mail shall be deemed given at the time of certification thereof, except for a notice changing a party's address which shall be deemed given at the time of receipt thereof. Any notice given by other means permitted by this Section 10 shall be deemed given at the time of receipt

thereof.

11. Counterparts. This Subscription Agreement may be executed through the

execution of separate signature pages or in any number of counterparts, and each such counterpart shall, for all purposes, constitute one agreement binding on all parties, notwithstanding that all parties are not signatories to the same counterpart.

12. Entire Agreement. This Subscription Agreement contains the entire

agreement of the parties with respect to the subject matter hereof and there are
no representations, covenants or other agreements except as stated or referred
to herein.

13. Severability. Each provision of this Subscription Agreements is

intended to be severable from every other provision, and the invalidity or
illegality of any portion hereof shall not affect the validity or legality of
the remainder hereof.

-10-

14. Assignability. This Subscription Agreement is not transferable or

assignable by the undersigned.

15. Applicable Law. This Subscription Agreement has been negotiated

and consummated in the State of New York and shall be governed by and construed
in accordance with the laws of the State of New York, without giving effect to
conflict of laws.

16. Choice of Jurisdiction. Any action or proceeding arising directly,

indirectly or otherwise, in connection with, out of or from this Subscription
Agreement, any breach hereof or any transaction covered hereby shall be resolved
within New York, New York. Accordingly, the parties consent and submit to the
jurisdiction of the United States federal and state courts located within New
York, New York.

17. Taxpayer Identification Number. The undersigned verifies under

penalties of perjury that any Taxpayer Identification Number or Social Security
Number shown on the signature page hereto is true, correct and complete.

18. Pronouns. Any personal pronoun shall be considered to mean the

corresponding masculine, feminine or neuter personal pronoun, as the context
requires.

-11-

IN WITNESS WHEREOF, the undersigned has executed this Subscription
Agreement this day of , 199 .
-- ----- -

Number of Shares Subscribed for: Shares

INDIVIDUAL SUBSCRIBER:

ENTITY SUBSCRIBER:

(Signature of Subscriber)

(Print Name of Subscriber)

(Typed or Printed Name)

By:

Name:

Title:

(Residence Address)

(Address)

(City, State and Zip Code)

(City, State and Zip Code)

(Telephone Number)

(Telephone Number)

(Telecopier Number)

(Telecopier Number)

(Tax I.D. or Social Security Number)

(Tax I.D. or Social Security Number)

ACCEPTED:

CARDIMA, INC.

By:

Name:

Title:

Dated: December , 199

For entities desiring that certificates for Shares be delivered to an address other than that set forth above, set for the delivery address:

(Address)

(City, State and Zip Code)

CARDIMA, INC.

A minimum of 5,000,000 (\$10,000,000) and
a maximum of 7,500,000 (\$15,000,000)
Shares of Common Stock

SALES AGENCY AGREEMENT

As of January 21, 1999

Sunrise Securities Corp.
135 E. 57th Street
New York, New York 10022

Dear Sirs:

Cardima, Inc., a Delaware corporation (the "Company"), proposes to

offer for sale in a private offering (the "Offering"), pursuant to Rule 506 of

Regulation D ("Regulation D") under the Securities Act of 1933, as amended (the

"Act"), a minimum of 5,000,000 (including "Affiliate Shares," and "Insider

Shares", each as hereinafter defined, if any) and a maximum of 7,500,000 shares
(the "Shares") of the Company's common stock, par value \$0.001 per share (the

"Common Stock"). This Offering is being made solely to "accredited investors"

as defined in Regulation D. This is to confirm our agreement concerning your
acting as our exclusive placement agent (the "Placement Agent") in connection

with the Offering.

The Company has prepared and has delivered to the Placement Agent
copies of a confidential executive summary, dated December 9, 1998, relating to,
among other things, the Company, its management, and the risks associated with
an investment in the Company's securities. Such confidential executive summary,

including all documents delivered therewith and incorporated by reference therein, is referred to herein as the "Executive Summary" unless such

confidential executive summary or any such accompanying documents shall be supplemented or amended in accordance with this Agreement, in which event the term "Executive Summary" shall refer to such confidential executive summary and

such documents as so supplemented or amended from and after the time of delivery to the Placement Agent of such supplement or amendment.

In addition, the Company has furnished or made available to the Placement Agent the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1997, (the "Form 10-K"), quarterly report on Form 10-Q for

the quarter ended March 31, 1998, quarterly report on Form 10-Q for the quarter ended June 30, 1998, quarterly report on Form 10-Q for the quarter ended September 30, 1998 (the "Most Recent 10-Q") and any other reports filed by the

Company pursuant to the Securities Exchange Act of 1934, as amended (the "Exchange Act") or the rules and regulations promulgated thereunder, prior to

Closing (collectively, the "SEC Filings"), in each case as filed with the

Securities and Exchange Commission (the "Commission").

1. Appointment of Placement Agent. On the basis of the

representations and warranties contained herein, and subject to the terms and conditions set forth herein, the Company hereby appoints you as its Placement Agent and grants to you the exclusive right to offer, as its agent, the Shares pursuant to the terms of this Agreement. On the basis of such representations and warranties, and subject to such conditions, you hereby accept such appointment and agree to use your best efforts to secure subscriptions to purchase a minimum of 5,000,000 (\$10,000,000) and a maximum of 7,500,000 (\$15,000,000) Shares pursuant to the terms of this Agreement. The agency created hereby is not terminable by the Company except upon termination of the Offering or upon expiration of the Offering Period (as hereinafter defined) in accordance with the terms of this Agreement.

2. Terms of the Offering.

(a) A minimum of 5,000,000 (\$10,000,000) and a maximum of 7,500,000 (\$15,000,000) Shares shall be offered for sale to prospective investors in the Offering ("Prospective Investors") at a purchase price equal to \$2.00 per Share

(the "Purchase Price"). Certain of the shares offered for sale may be sold to

certain of the Company's current institutional investors (the "Insider Shares").

In addition, officers, directors and employees of the Company and the Placement Agent may purchase Shares for their own accounts on the same terms and conditions as other investors (the "Affiliate Shares"). The Affiliate Shares

and Insider Shares shall be included in determining whether the minimum and maximum number of Shares have been subscribed for, and all references herein to subscriptions from Prospective Investors shall be deemed to include the Affiliate Shares and the Insider Shares.

(b) The Offering shall expire at 5:00 P.M., New York time, on February 15, 1999, unless extended from time to time for periods of up to an aggregate of 30 days by mutual agreement of the Company and the Placement Agent. Such period, as the same may be so extended, shall hereinafter be referred to as the "Offering Period."

(c) Each Prospective Investor who desires to purchase Shares shall be required to deliver to the Placement Agent one copy of a subscription agreement in the form annexed hereto as Exhibit A, including the investor questionnaire

(the "Subscription Agreement"), and payment in the amount necessary to purchase the number of Shares such Prospective Investor

desires to purchase. The Placement Agent shall not have any obligation to independently verify the accuracy or completeness of any information contained in any Subscription Agreement or the authenticity, sufficiency or validity of any check or other form of payment delivered by any Prospective Investor in payment for Shares.

(d) Pursuant to an Escrow Agreement, dated as of January 21, 1999 (the "Escrow Agreement"), the Placement Agent has established a special account with

the United States Trust Company of New York (the "Escrow Agent") entitled

"Cardima, Inc. - Escrow Account" (the "Escrow Account"). The Placement Agent

shall deliver each check received from a Prospective Investor to the Escrow Agent for deposit in the Escrow Account and shall deliver the executed copy of the Subscription Agreement received from such Prospective Investor to the Company. The Company shall notify the Placement Agent promptly of the acceptance or rejection of any subscription. The Company and/or the Placement Agent may reject any subscription.

(e) If subscriptions to purchase 5,000,000 Shares (\$10,000,000) are not received from Prospective Investors prior to the expiration of the Offering Period and accepted by the Company, the Offering shall be canceled, all funds received by the Escrow Agent on behalf of the Company shall be refunded in full without interest, and this Agreement and the agency created hereby shall be terminated without any further obligation on the part of either party, except as

provided in Section 10 hereof.

(f) We agree that within 30 business days following completion of the Offering (the "Final Closing"), the Company will file a registration statement

(the "Registration Statement") under the Act covering the resale of the Shares.

In the event the Registration Statement is not filed by the end of such 30 business-day period (the "Filing Deadline"), the Company agrees to issue to each

purchaser of Shares an additional number of shares equal to 1.0% of the number of Shares purchased for each 30 days or part thereof the filing is delayed until 60 days after the Filing Deadline, plus an additional 2% of the number of Shares so purchased for each 30 days thereafter, until the Registration Statement is filed; provided, however, that the Company shall not be required to issue such additional shares of Common Stock if such failure has been caused by (a) the failure of the holders of the Shares to be registered to provide information in connection with the Registration Statement or (b) the occurrence of a material event not in the ordinary course which may delay the filing of the Registration Statement pending public disclosure, which disclosure shall be promptly made. We further agree that the Company will use its reasonable best efforts to cause the Registration Statement (A) to become effective under the Act as promptly as practicable, and (B) to remain effective until such time as all Shares purchased in the Offering become eligible for resale pursuant to Rule 144 under the Act.

(g) The Company may at any time refuse to permit holders of the Shares to resell any Shares pursuant to the Registration Statement upon delivery to such holders of a written certificate to the effect that withdrawal of the Registration Statement is necessary because a sale thereunder in then current form would constitute a violation of federal securities laws. In

3

the event of a withdrawal, the Company shall use its best efforts to amend the Registration Statement and/or take all other necessary actions to again permit sales in compliance with the federal securities laws.

3. Closing.

(a) Subject to the conditions set forth in Section 8 hereof, if

subscriptions to purchase at least 5,000,000 Shares (including Insider Shares and Affiliate Shares) have been received prior to the expiration of the Offering Period and accepted by the Company, the initial closing under this Agreement (the "Closing") shall be held at the offices of Thelen Reid & Priest LLP, 40

West 57th Street, New York, New York, at 10:00 A.M., New York time, on the third business day following the date upon which the Placement Agent receives notice

from the Company that subscriptions to purchase at least 5,000,000 Shares (including Insider Shares and Affiliate Shares) have been so accepted or at such other place, time and/or date as the Company and the Placement Agent shall agree upon. The Company shall provide the notice required by the preceding sentence as promptly as practicable. The date upon which the Closing is held shall hereinafter be referred to as the "Closing Date."

(b) Subject to the conditions set forth in Section 8 hereof, if,

subsequent to the date the subscriptions referred to in Section 3(a) hereof are

received and accepted and prior to the expiration of the Offering Period, additional subscriptions to purchase Shares are received from Prospective Investors, which subscriptions are accepted by the Company, one or more additional closings under this Agreement (each, an "Additional Closing") shall

be held at the offices of Thelen Reid & Priest LLP, 40 West 57th Street at 10:00 A.M., New York time, on the third business day following the date upon which the Placement Agent receives notice from the Company that additional subscriptions have been so accepted, or at such other place, time or date as the Company and the Placement Agent shall agree upon. The Company shall notify the Placement Agent as promptly as practicable whether any additional subscriptions so received have been accepted. The date upon which any Additional Closing is held shall hereinafter be referred to as an "Additional Closing Date."

Notwithstanding anything contained herein to the contrary, in no event shall the Company accept subscriptions to purchase in excess of 7,500,000 Shares (including Insider Shares and Affiliate Shares).

(c) At the Closing or an Additional Closing, as the case may be, the Company shall instruct the Escrow Agent to pay to the Placement Agent at the Closing or an Additional Closing, from the funds deposited in the applicable Escrow Account in payment for the Shares, the cash amounts payable to the Placement Agent pursuant to Section 4 of this Agreement. Promptly after the

Closing Date or an Additional Closing Date, as the case may be, the Company shall deliver to the purchasers of Shares certificates representing the Shares to which they are entitled.

4. Compensation.

(a) If subscriptions to purchase 5,000,000 Shares (including Insider Shares and Affiliate Shares) are received from Prospective Investors prior to the expiration of the Offering Period and accepted by the Company, you shall be entitled to receive from the Company, as compensation for your services as

Placement Agent under this Agreement, an aggregate amount equal to 8.0% of the gross proceeds received by the Company from the sales of the Shares (the "Commission"), provided that no commission will be due to the Placement Agent

with respect to the sale of the Insider Shares or the Compensatory Shares (as defined below). At the sole option of the Placement Agent, some or all of the Commission may be paid by the issuance of additional shares of the Company's Common Stock (the "Compensatory Shares"), which Compensatory Shares will be

valued at \$2.00 per share. The Compensatory Shares will be entitled to the same registration rights afforded the Shares as set forth in the Subscription Agreement. All of the foregoing compensation is payable by the Company on the Closing Date or Additional Closing Date, as the case may be, with respect to the Shares sold on such date. The Company has previously paid \$20,000 against the aggregate Commission to be due the Placement Agent hereunder (the "Advance"). In the event subscriptions to purchase 5,000,000 Shares (including Insider Shares and Affiliate Shares) are not received prior to the expiration of the Offering Period and accepted by the Company (A) \$10,000 of the Advance will be refundable to the extent documented Offering-related expenses have not been incurred by the Placement Agent, and (B) \$10,000 of the Advance shall not be refundable under any circumstances and will be retained by the Placement Agent.

(b) If subscriptions to purchase 5,000,000 Shares (including Insider Shares and Affiliate Shares) are received from Prospective Investors prior to the expiration of the Offering Period and accepted by the Company, the Company shall sell to you or, at your discretion, your designees, in addition to the amounts set forth in Section 4(a) above, and you (or your designees) may buy

warrants (individually, a "Warrant" and collectively, the "Warrants") to purchase that number of shares of the Company's Common Stock (the "Warrant Shares") equal to 10% of the aggregate number of Shares issued in the Offering,

provided that no Warrants will be due the Placement Agent with respect to the

sale of the Insider Shares or the Compensatory Shares. The purchase price of each Warrant shall equal \$0.001. Each Warrant will entitle the holder thereof, for a five year period from the later of the Closing Date or the last Additional Closing Date (if any), to purchase one Warrant Share at an exercise price equal to \$2.20 per Warrant Share. The Warrant Shares will be entitled to the same registration rights afforded the Shares as set forth in the Subscription Agreement. The Warrants shall be purchasable pursuant to share purchase agreements (the "Share Purchase Warrants") in the form attached hereto as

Exhibit B.

(c) If the Offering is terminated by the Company (i) during the Offering Period (provided you are actively pursuing the Offering during such period), (ii) during any 30 day extension period (provided you are actively

pursuing the Offering during such period), or (iii) at the completion of the Offering (provided that you shall have obtained offers to purchase at least the required minimum), and the Placement Agent is not then in default hereunder or has not

breached the terms herein, and within six months after termination the Company completes the sale of any of its equity securities (including securities convertible into equity securities) for cash to any person or entity who was introduced to the Company by the Placement Agent, in connection with the Offering or otherwise, then in any such case, the Company shall pay to you 8.0%

of the gross sales price of such securities, and shall sell to you, on the terms set forth in this Section 4, Warrants to purchase 10% of the securities so sold.

5. Representations and Warranties.

(a) Representations and Warranties of the Company. The Company

represents and warrants to, and agrees with, the Placement that:

(i) The Executive Summary as of the date thereof did not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading. Each contract, agreement, instrument, lease, license or other document, if any, described in the Executive Summary has been accurately described therein in all material respects.

(ii) The Company has furnished, or made available through the EDGAR Internet web site of the Commission, to the undersigned true and complete copies of the SEC Filings. As of their respective filing dates, the SEC Filings complied in all material respects with the applicable requirements of the Exchange Act, and the Act and the rules and regulations promulgated under the Exchange Act and the Act. The SEC Filings do not as of their respective dates contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements made therein, in the light of circumstances under which they were made, not misleading. Each contract, agreement, instrument, lease, license or other document described in the SEC Filings has been accurately described therein in all material respects.

(iii) No document provided by the Company to Prospective Investors pursuant to Section 6(a)(vii) hereof, and no oral information

provided by the Company to Prospective Investors, contained any untrue statement of a material fact or omitted to state any material fact required to

be stated therein or necessary to make the statements therein not misleading. Contracts to which the Company is a party provided by the Company to Prospective Investors shall not be deemed to contain any untrue statement of a material fact or to omit to state any material fact if the contract so provided is a true, correct and complete copy of such contract, as amended or modified through the date it is so provided.

(iv) The Company has not solicited any offer to buy or offered to sell any Shares or any other securities of the Company during the twelve-month period ending on the date hereof, except as may be described in the SEC Filings or which would not be integrated with the sale of the Shares in a manner that would require the registration of the Offering pursuant to the

6

Act; and the Company has no present intention to solicit any offer to buy or offer to sell any Shares or any other securities of the Company other than pursuant to this Agreement or pursuant to a registered public offering of the Company's securities which may be commenced after the completion of the Offering.

(v) The Company is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware, with full power and authority and all necessary consents, authorizations, approvals, orders, licenses, certificates and permits of and from, and declarations and filings with (collectively, "Consents") all federal, state,

local, foreign and other governmental authorities and all courts and other tribunals, to own, lease, license and use its properties and assets and to carry on its business in the manner described in the Executive Summary, except where the failure to have obtained such Consents would not have a material adverse effect on the Company and except that the Company is not qualified in Tennessee, Massachusetts, Virginia and Ohio; and the Company has not received any notice of proceedings relating to the revocation or modification of any such Consent which, singly or in the aggregate, if the subject of an unfavorable decision, ruling or finding would result in a material adverse change in the financial condition, results of operations, business, properties, assets, liabilities or future prospects of the Company. The Company is duly qualified to do business and is in good standing in every jurisdiction in which its ownership, leasing, licensing or use of property and assets or the conduct of its business makes such qualification necessary, except where such failure to qualify would not have a material adverse effect upon the business of the Company. The Company does not have any operating subsidiaries.

(vi) The Company has, as of the date hereof and subject to the exercise of any outstanding Common Stock purchase rights, an authorized and outstanding capitalization as set forth in the Most Recent 10-Q. Each outstanding share of capital stock of the Company is duly authorized, validly issued, fully paid and nonassessable and has not been issued and is not owned or

held in violation of any preemptive rights set forth in the Company's Certificate of Incorporation or By-Laws, each as amended to date, or any agreement to which the Company is a party. There is no commitment, plan or arrangement to issue, and no outstanding option, warrant or other right calling for the issuance of, any share of capital stock of the Company or any security or other instrument which by its terms is convertible into, exercisable for or exchangeable for shares of capital stock of the Company, except as may be described in the SEC Filings. There is outstanding no security or other instrument which by its terms is convertible into or exchangeable for any class of share of capital stock of the Company, except as may be described in the SEC Filings. The capital stock of the Company conforms to the description thereof contained in the SEC Filings.

(vii) The financial statements of the Company included in the SEC Filings (by incorporation, by reference or otherwise) fairly present, in all material respects, the financial position, the results of operations, cash flows and the other information purported to be shown therein at the respective dates and for the respective periods to which they apply. Such financial statements have been prepared in accordance with generally accepted accounting principles

7

consistently applied throughout the periods involved, are correct and complete, in all material respects, and are in accordance with the books and records of the Company. Except as previously disclosed to the Placement Agent, there has at no time been a material adverse change in the financial condition, results of operations, business, properties, assets, liabilities or future prospects of the Company from the latest information set forth in the SEC Filings, except as may be described in the SEC Filings as having occurred.

(viii) Ernst & Young LLP, who have audited certain financial statements of the Company and performed certain procedures relating to financial statement schedules and other financial information concerning the Company, included in the SEC Filings, are independent public accountants as required by the Act and the applicable rules and regulations thereunder.

(ix) There is no litigation, arbitration, governmental or other proceeding (formal or informal) or claim or investigation pending or, to the knowledge of the Company, threatened with respect to the Company or any of its operations, businesses, properties or assets, except as may be described in the SEC Filings or such as individually or in the aggregate do not now have and will not in the future have a material adverse effect upon the operations, business, properties or assets of the Company. The Company is not in violation of, or in default with respect to, any law, rule, regulation, order, judgment or decree, except as may be described in the SEC Filings or such as in the aggregate do not now have and will not in the future have a material adverse effect upon the operations, business, properties, assets or future prospects of the Company.

(x) Except as described in the SEC Filings, any real property

and buildings held under lease by the Company are held by it under valid, subsisting and enforceable leases with such exceptions as in the aggregate are not material. Except as described in the SEC Filings, the Company enjoys peaceful and undisturbed possession under all real property leases under which it is operating.

(xi) Except as previously disclosed to the Placement Agent, neither the Company, nor, to the knowledge of the Company, any other party, is in violation or breach of or in default with respect to, complying with any material provision of any contract, agreement, instrument, lease, license, arrangement or understanding which is material to the Company, and each such contract, agreement, instrument, lease, license, arrangement and understanding is in full force and effect and is the legal, valid and binding obligation of the parties thereto enforceable as to them in accordance with its terms (subject to applicable bankruptcy, insolvency and other laws affecting the enforceability of creditors' rights generally and to general equitable principles). The Company is not in violation or breach of, or in default with respect to, any term of its Certificate of Incorporation or By-Laws, each as amended to date.

(xii) There is no right under any patent, patent application, trademark, trademark application, trade name, service mark, copyright, franchise or other intangible

property or asset (all of the foregoing being herein called "Intangibles")

necessary to the business of the Company as presently conducted or as the SEC Filings or the Executive Summary indicates it contemplates conducting, except as may be so designated in the SEC Filings or the Executive Summary and which the Company has the right or license to use as necessary. To the Company's knowledge, except as described in the SEC Filings, the Company has not infringed nor is it infringing with respect to Intangibles of others, and the Company has not received notice of infringement with respect to asserted Intangibles of others, which infringement may have a material adverse effect on the Company's business. Except as described in the SEC Filings, to the Company's knowledge there is no Intangible of others which has had or may in the future have a materially adverse effect on the financial condition, results of operations, business, properties, assets, liabilities or future prospects of the Company.

(xiii) The Company has all requisite corporate power and authority to execute, deliver and perform this Agreement, the Share Purchase Warrants, the Subscription Agreement and the Escrow Agreement (collectively, the "Operative Agreements") and to consummate the transactions contemplated

by the Operative Agreements. All necessary corporate proceedings of the Company have been duly taken to authorize the execution, delivery and performance by the Company of the Operative Agreements. This Agreement and the

Escrow Agreement have been duly authorized, executed and delivered by the Company, are the legal, valid and binding obligations of the Company and are enforceable as to the Company in accordance with their terms (subject to applicable bankruptcy, insolvency and other laws affecting the enforceability of creditors' rights generally and to general equitable principles). The Share Purchase Warrants and Subscription Agreements have been duly authorized by the Company and, when executed and delivered by the Company, will be the legal, valid and binding obligations of the Company enforceable against it in accordance with their respective terms (subject to applicable bankruptcy, insolvency and other laws affecting the enforceability of creditors' rights generally and to general equitable principles). No consent, authorization, approval, order, license, certificate or permit of or from, or registration, qualification, declaration or filing with, any federal, state, local, foreign or other governmental authority or any court or other tribunal is required by the Company for the execution, delivery or performance by the Company of the Operative Agreements or the consummation of the transactions contemplated by the Operative Agreements, except (A) the filing of a Notice of Sales of Securities on Form D pursuant to Regulation D, (B) such consents, authorizations, approvals, registrations and qualifications as may be required under securities or "blue sky" laws in connection with the issuance, sale and delivery of the Shares, Compensatory Shares and Warrants pursuant to this Agreement, and (C) the filing of the Registration Statement. No consent of any party to any contract, agreement, instrument, lease, license, arrangement or understanding to which the Company is a party or to which any of its properties or assets are subject is required for the execution, delivery or performance of the Operative Agreements or the consummation of the transactions contemplated by the Operative Agreements, which has not been or will not be obtained prior to the Closing or any Additional Closings; and the execution, delivery and performance of the Operative Agreements, and the consummation of the transactions contemplated by the Operative Agreements, will not violate, result in a material breach of,

9

conflict with or (with or without the giving of notice or the passage of time or both) entitle any party to terminate or call a default under any such contract, agreement, instrument, lease, license, arrangement or understanding (except for any such violation, breach or conflict which has been properly waived thereunder), violate or result in a material breach of any term of the Company's Certificate of Incorporation or By-Laws, each as amended to date, or violate, result in a material breach of or conflict with any law, rule, regulation, order, judgment or decree binding on the Company, or to which any of its operations, businesses, properties or assets are subject.

(xiv) The Shares, when issued and delivered to the subscribers therefor, pursuant to the terms of this Agreement and the Subscription Agreements, the Warrant Shares, when issued and delivered pursuant to the terms of the Warrants, and the Compensatory Shares shall be duly authorized, validly issued, fully paid and nonassessable and shall not have been issued in violation of any preemptive rights set forth in the Company's Certificate of Incorporation

or By-Laws, each as amended to date, or any agreement to which the Company is a party.

(xv) Subsequent to the dates as of which information is given in the SEC Filings, and except as may otherwise be described on Schedule 5(a)(xv), (A) the Company has not, except in the ordinary course of -----

business, incurred any liability or obligation, primary or contingent, for borrowed money, (B) there has not been any material adverse change in the capital stock, short-term debt or long-term debt of the Company, (C) the Company has not entered into any transaction not in the ordinary course of business, (D) the Company has not purchased any of its outstanding capital stock nor declared or paid any dividend or distribution of any kind on its capital stock, (E) the Company has not sustained any material loss or interference with its businesses or properties from fire, flood, hurricane, accident or other calamity, whether or not covered by insurance, or from any labor dispute or any legal or governmental proceeding, and (F) there has not been any material adverse change or any development which the Company reasonably believes could result in a prospective material adverse change, in the financial condition results of operations, business, properties, assets, liabilities or future prospects of the Company.

(xvi) Neither the Company nor, to the knowledge of the Company, any of its affiliates has, directly or through any agent, sold, offered for sale or solicited offers to buy, any security of the Company, as defined in the Act, which is or will be integrated with the sale of the Shares, the Warrants or the Warrant Shares in a manner that would require the registration, pursuant to the Act, of the Offering.

(xvii) Except as described in or contemplated by the SEC Filings, the Company has good and marketable title to all real and personal property owned by it, in each case free and clear of any security interests, liens, encumbrances, equities, claims and other defects, except such as do not materially and adversely affect the value of such property and do not interfere with the use made or proposed to be made of such property by the Company.

10

(xviii) No labor dispute with the employees of the Company exists or is threatened or imminent that could result in a material adverse change in the financial condition, results of operations, business, properties, assets, liabilities or future prospects of the Company, except as described in or contemplated by the SEC Filings.

(xix) The Company is insured by insurers of recognized financial responsibility against such losses and risks and in such amounts as are prudent and customary in the businesses in which they are engaged; the Company has not been refused any insurance coverage sought or applied for; and the Company has no reason to believe that it will not be able to renew its existing insurance

coverage as and when such coverage expires or to obtain similar coverage from insurers of recognized financial responsibility as may be necessary to continue its business at a cost that would not materially and adversely affect the financial condition results of operations, business, properties, assets, liabilities or future prospects of the Company, except as described in or contemplated by the SEC Filings.

(xx) The Company has filed all foreign, federal, state and local tax returns that are required to be filed or has requested extensions thereof (except in any case in which the failure so to file would not have a material adverse effect on the Company), and has paid all taxes required to be paid by it and any other assessment, fine or penalty levied against it to the extent that any of the foregoing is due and payable, except for any such assessment, fine or penalty that is currently being contested in good faith or as described in the SEC Filings.

(xxi) The Company is not in violation of any law or regulation relating to occupational safety and health or to the storage, handling or transportation of hazardous or toxic materials and the Company has received all permits, licenses or other approvals required of it under applicable occupational safety and health and environmental laws and regulations to conduct its business, and the Company is in compliance with all terms and conditions of any such permit, license or approval, except any such violation of law or regulation, failure to receive required permits, licenses or other approvals or failure to comply with the terms and conditions of such permits, licenses or approvals which would not, singly or in the aggregate, result in a material adverse change in the financial condition, results of operations, business, properties, assets, liabilities or future prospects of the Company, except as described in or contemplated by the SEC Filings.

(xxii) The Company maintains a system of internal accounting controls sufficient to provide reasonable assurance that (i) transactions are executed in accordance with management's general or specific authorizations; (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles and to maintain asset accountability; (iii) access to assets is permitted only in accordance with management's general or specific authorization; and (iv) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

(xxiii) The Common Stock is registered pursuant to Section 12(g) of the Exchange Act. The Company (a) has been subject to the requirements of Section 12 or 15(d) of the Exchange Act and has filed all the material required to be filed pursuant to Section 13, 14, or 15(d) for a period of at least 12 months immediately preceding the date hereof; and (b) has filed in a timely manner all reports required to be filed during 12 months and any portion of a month immediately preceding the date hereof and, if the Company

has used (during the 12 months and any portion of a month immediately preceding the date hereof) Rule 12b-25(b) under the Exchange Act with respect to a report or a portion of a report, that report or portion thereof has actually been filed within the time period prescribed by the rule.

(b) Representations and Warranties of the Placement Agent. The

Placement Agent hereby represents and warrants to, and agrees with, the Company and each other as to themselves only as follows:

(i) The Placement Agent will not offer or sell any Shares to any investor which the Placement Agent does not have reasonable grounds to believe is an "accredited investor."

(ii) The Placement Agent will not offer or sell any Shares by means of any form of general solicitation or general advertising, including, without limitation, the following:

(A) any advertisement, article, notice or other communication published in any newspaper, magazine or similar medium or broadcast over television or radio; and

(B) any seminar or meeting whose attendees have been invited by any general solicitation or general advertising.

(iii) The Placement Agent is a member in good standing of the National Association of Securities Dealers, Inc. or a registered representative thereof.

(iv) The Placement Agent will (A) offer and sell the Shares only in jurisdictions in which the Shares have been registered or are exempt from registration, and (B) not offer or sell Shares in any jurisdiction in which the Placement Agent is not qualified to do so.

(v) This Agreement has been duly authorized by all necessary action on the part of the Placement Agent and constitutes the legal, valid and binding obligations of the Placement Agent, enforceable against it in accordance with the terms hereof (subject to applicable bankruptcy, insolvency and other laws affecting the enforceability of creditors' rights generally and to general equitable principles). The execution, delivery and performance by the Placement Agent of its obligations hereunder will not result in a violation or material breach of any agreement to which the Placement Agent is a party or any law, rule, regulation, order, judgment or decree binding on the Placement Agent.

6. Covenants.

Placement Agent that it will:

(i) Notify you immediately, and confirm such notice promptly in writing, (A) when any event shall have occurred during the period commencing on the date hereof and ending on the later of the Closing Date and the last Additional Closing Date (if any) as a result of which the SEC Filings or Executive Summary would include any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading, and (B) of the receipt of any notification with respect to the modification, rescission, withdrawal or suspension of the qualification or registration of the Shares or of an exemption from such registration or qualification in any jurisdiction. The Company will use its best efforts to prevent the issuance of any such modification, rescission, withdrawal or suspension and, if any such modification, rescission, withdrawal or suspension is issued and you so request, to obtain the lifting thereof as promptly as possible.

(ii) Not supplement or amend the Executive Summary unless you shall have approved of such supplement or amendment in writing, which such approval shall not be unreasonably withheld. If, at any time during the period commencing on the date hereof and ending on the later of the Closing Date and the last Additional Closing Date (if any), any event shall have occurred as a result of which the SEC Filings or Executive Summary contains any untrue statement of a material fact or omits to state any material fact required to be stated therein or necessary to make the statements therein not misleading, or if, in the opinion of counsel to the Company or counsel to the Placement Agent, it is necessary at any time to supplement or amend the SEC Filings or Executive Summary to comply with the Act, Regulation D or any applicable securities or "blue sky" laws, the Company will promptly prepare an appropriate supplement or amendment which will correct such statement or omission or which will effect such compliance.

(iii) Deliver without charge to the Placement Agent such number of copies of the Executive Summary and any supplement or amendment thereto as may reasonably be requested by the Placement Agent.

(iv) In this Offering, not, directly or indirectly, solicit any offer to buy from, or offer to sell to, any person any Shares except through the Placement Agent.

(v) Not solicit any offer to buy or offer to sell Shares by any form of general solicitation or advertising, including, without limitation, any advertisement, article, notice or other communication published in any newspaper, magazine or similar medium or broadcast over television or radio or any seminar or meeting whose attendees have been invited by any general solicitation or advertising.

(vi) Use its best efforts to qualify or register the Shares for offering and sale under, or establish an exemption from such qualification or registration under, the securities or "blue sky" laws of such jurisdictions as you may reasonably request. The Company will not consummate any sale of Shares in any jurisdiction or in any manner in which such sale may not be lawfully made.

(vii) At all times during the period commencing on the date hereof and ending on the later of the Closing Date and the last Additional Closing Date (if any), provide to each Prospective Investor or his purchaser representative, if any, on request, such information (in addition to that contained in the Executive Summary) concerning the Offering, the Company and any other relevant matters as it possesses or can acquire without unreasonable effort or expense and extend to each Prospective Investor the opportunity to ask questions of, and receive answers from, the Company concerning the terms and conditions of the Offering and the business of the Company and to obtain any other additional information, to the extent it possesses the same or can acquire it without unreasonable effort or expense, as such Prospective Investor may consider necessary in making an informed investment decision or in order to verify the accuracy of the information furnished to such Prospective Investor or purchaser representative, as the case may be.

(viii) Before accepting any subscription to purchase Shares from, or making any sale to, any Prospective Investor, have reasonable grounds to believe and actually believe that such Prospective Investor (A) meets the suitability requirements for investing in the Shares set forth in the Subscription Agreement, and (B) is an accredited investor; provided, -----
however, that the Company shall not be required to confirm the accuracy -----
of any subscription and may rely upon the information provided by each Prospective Investor in the relevant subscription.

(ix) Notify you promptly of the acceptance or rejection of any subscription.

(x) File five (5) copies of a Notice of Sales of Securities on Form D with the Securities and Exchange Commission (the "Commission") no later than 15 days after the first sale of the Shares. The -----
Company shall file promptly such amendments to such Notices on Form D as shall become necessary and shall also comply with any filing requirement imposed by the laws of any state or jurisdiction in which offers and sales are made. The Company shall furnish you with copies of all such filings.

(xi) Place the following legend on all certificates representing the Shares, the Compensatory Shares and the Warrants:

"THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER

SECURITIES LAWS AND NEITHER THE SECURITIES NOR ANY INTEREST THEREIN MAY BE OFFERED, SOLD, TRANSFERRED, PLEDGED OR OTHERWISE DISPOSED OF EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER SUCH ACT OR SUCH LAWS OR AN EXEMPTION FROM REGISTRATION UNDER SUCH ACT AND SUCH LAWS WHICH, IN THE OPINION OF COUNSEL FOR THE HOLDER, WHICH COUNSEL AND OPINION ARE REASONABLY SATISFACTORY TO COUNSEL FOR THIS CORPORATION, IS AVAILABLE."

(xii) Not, directly or indirectly, engage in any act or activity which may jeopardize the status of the offering and sale of the Shares as exempt transactions under the Act or under the securities or "blue sky" laws of any jurisdiction in which the Offering may be made. Without limiting the generality of the foregoing, and notwithstanding anything contained herein to the contrary, the Company shall not, during the six (6) months following completion of the Offering, (A) directly or indirectly, engage in any offering of securities which, if integrated with the Offering in the manner prescribed by Rule 502(a) of Regulation D and applicable releases of the Commission, may jeopardize the status of the Offering and sale of the Shares as exempt transactions under Regulation D, or (B) engage in any offering of securities, without the opinion of counsel reasonably satisfactory to the Placement Agent, to the effect that such offering would not result in integration with this Offering, or if integration would so result, that such integration would not jeopardize the status of this Offering as an exempt transaction under Regulation D.

(xiii) [Intentionally omitted].

(xiv) Not, during the period commencing on the date hereof and ending on the later of the Closing Date and the last Additional Closing Date (if any), issue any press release or other communication or hold any press conference with respect to the Offering, without your prior written consent, which consent will not be unreasonably withheld.

(xv) Provided that at least 5,000,000 Shares are sold in the Offering, not, for a period of 12 months after the date of the Final Closing, without your prior written consent, offer, issue, sell, contract to sell, grant any option for the sale of or otherwise dispose of, directly or indirectly, any shares of Common Stock (or any security or other instrument which by its terms is convertible into, exercisable for, or exchangeable for shares of Common Stock), without first obtaining the written consent of the Placement Agent. Notwithstanding the foregoing, the Company may sell, transfer or dispose of securities in accordance with the terms of the Company's stock option plan and other similar plans disclosed in the SEC Filings, provided that, with respect to options granted to the persons described in Section 8(b)

below, the underlying shares are subject to a similar lock-up arrangement as

set forth in Section 8(b) below.

15

(xvi) For a period of five years after the date hereof, furnish you, without charge, the following:

(A) as soon as practicable after they are filed with the Commission, three (3) copies of financial statements certified by independent certified public accountants, including a balance sheet, statement of income and statement of cash flows of the Company and its then existing subsidiaries, with supporting schedules, prepared in accordance with generally accepted accounting principles, as at the end of such fiscal year and for the 12 months then ended, which may be on a consolidated basis, and three (3) copies of unaudited interim financial statements, as at the end of each fiscal quarter and for the three (3) months then ended, copies of all of which financial statements shall also be furnished to the purchasers in this Offering;

(B) as soon as practicable after they have been sent to stockholders of the Company or filed with the Commission, three (3) copies of each annual and interim financial and other report or communication sent by the Company to its stockholders or filed with the Commission; and

(C) as soon as practicable, two copies of every press release and every material news item and article in respect of the Company or its affairs which was released by the Company.

(xvii) Comply in all respects with its obligations under the Operative Agreements.

(xviii) Not, prior to the completion of the Offering, bid for, purchase, attempt to induce others to purchase, or sell, directly or indirectly, any Shares or any other securities of the Company of the same class and series as the Shares in violation of the provisions of Regulation M under the Exchange Act.

(b) Covenants of the Placement Agent.

(i) The Placement Agent will not accept the subscription of any person unless immediately before accepting such subscription the Placement Agent has reasonable grounds to believe that (A) such person is an "accredited investor," and (B) all representations made and information furnished by such person in the Subscription Agreement and related documents are true and correct in all material respects. The Placement Agent agrees to notify the Company promptly if the Placement Agent shall, at any time during the period after delivery of the documents furnished by such person to the Company in connection with subscription for Shares and immediately before the sale of

Shares to such person, no longer reasonably believes one or more of the foregoing matters with respect to such person.

16

(ii) The Placement Agent will not solicit purchasers of Shares other than in the jurisdictions in which such solicitation may, upon the advice of counsel, be made under applicable securities or "blue sky" laws and in which the Placement Agent is qualified so to act.

(iii) The Placement Agent will not sell any Shares to any investor unless a Subscription Agreement is furnished to such investor within a reasonable time prior thereto.

(iv) Upon notice from the Company that the SEC Filings or Executive Summary is to be amended or supplemented (which the Company will promptly give upon becoming aware of any untrue statement of a material fact stated in the SEC Filings or Executive Summary or omission to state a material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading), the Placement Agent will immediately cease use of the SEC Filings or Executive Summary until the Placement Agent has received such amendment or supplement and thereafter will make use of the Executive Summary only as so amended or supplemented, and the Placement Agent will deliver a copy of such amendment or supplement to each Prospective Investor to whom a copy of the SEC Filings or Executive Summary had previously been delivered (and who had not returned such copy) and whose subscription had not been rejected.

(v) The Placement Agent will not make any representations or other statements concerning the Company or the Offering that are not contained in the SEC Filings or Executive Summary.

(vi) The Placement Agent will not offer or sell any Shares by means of any form of general solicitation or general advertising, including, without limitation, (A) any advertisement, article, notice or other communication published in any newspaper, magazine or similar medium, or broadcast over television or radio; or (B) any seminar or meeting whose attendees have been invited by general solicitation or general advertising.

7. Payment of Expenses.

The Company hereby agrees to pay all fees, charges and expenses incident to the performance by each of the Company and the Placement Agent of its respective obligations hereunder (other than the fees and expenses of counsel to the Placement Agent), including, without limitation, all fees, charges, and expenses in connection with (i) the preparation, printing, reproduction, filing, distribution and mailing of the Executive Summary, the Subscription Agreement and related documents (including, to the extent requested by a Prospective Investor, copies of the SEC Filings), the Operative Agreements

and all other documents relating to the offering, purchase, sale and delivery of the Shares, and any supplements or amendments thereto, including the fees and expenses of counsel to the Company, and the cost of all copies thereof, (ii) the issuance, sale, transfer and delivery of the Shares, the Warrant Shares, the Compensatory Shares and the Warrants, including any transfer or other taxes payable thereon and the fees of any Transfer Agent, Warrant Agent or Registrar, (iii) the registration or qualification of the Shares

or the securing of an exemption therefrom under state or foreign "blue sky" or securities laws, including, without limitation, filing fees payable in the jurisdictions in which such registration or qualification or exemption therefrom is sought, the costs of preparing preliminary, supplemental and final "Blue Sky Surveys" relating to the offer and sale of the Shares and the fees and disbursements of counsel to the Placement Agent in connection with such "blue sky" matters, (iv) the filing fees, if any, payable to the Commission, and (v) the retention of the Escrow Agent, including the fees and expenses of the Escrow Agent for serving as such and the fees and expenses of its counsel.

8. Conditions of Placement Agent's Obligations. The obligations of

the Placement Agent pursuant to this Agreement shall be subject, in its discretion, to the continuing accuracy of the representations and warranties of the Company contained herein and in each certificate and document contemplated under this Agreement to be delivered to the Placement Agent, as of the date hereof and as of the Closing Date (and, if applicable, each Additional Closing Date), to the performance by the Company of its obligations hereunder, and to the following conditions:

(a) At the Closing and each Additional Closing, as the case may be, the Placement Agent shall have received the favorable opinions of Wilson Sonsini Goodrich & Rosati, counsel for the Company, in substantially the form of Exhibit

C hereto, and Heller Ehrman White & McAuliffe, patent counsel for the Company,

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substantially in the form of Exhibit D hereto.

(b) On or prior to the Closing, the Placement Agent shall have received agreements from each of the Company's officers, directors and holders of 5% or more of the Company's Common Stock, pursuant to which such persons (or entities) and their respective affiliates shall have agreed not to offer, issue, sell, contract to sell, grant any option for the sale of or otherwise dispose of any securities of the Company for a period of 6 months from the effective date of the Final Closing without the Placement Agent's prior written consent.

(c) On or prior to the Closing Date and each Additional Closing Date, as the case may be, the Placement Agent shall have been furnished such

information, documents and certificates as it may reasonably require for the purpose of enabling it to review the matters referred to in this Section 8 and

in order to evidence the accuracy, completeness or satisfaction of any of the representations, warranties, covenants, agreements or conditions herein contained, or as it may otherwise reasonably request.

(d) At the Closing and each Additional Closing, as the case may be, the Placement Agent shall have received a certificate of the chief executive officer of the Company, dated the Closing Date or such Additional Closing Date, as the case may be, to the effect that, as of the date of this Agreement and as of the Closing Date or such Additional Closing Date, as the case may be, the representations and warranties of the Company contained herein were and are accurate, and that as of the Closing Date or such Additional Closing Date, as the case may be, the

18

obligations to be performed by the Company hereunder on or prior thereto have been fully performed.

(e) All proceedings taken in connection with the issuance, sale and delivery of the Shares shall be reasonably satisfactory in form and substance to you and your counsel.

(f) There shall not have occurred, at any time prior to the Closing or, if applicable, an Additional Closing, as the case may be, (i) any domestic or international event, act or occurrence which has materially disrupted, or in your reasonable opinion will in the immediate future materially disrupt, the securities markets; (ii) a general suspension of, or a general limitation on prices for, trading in securities on the New York Stock Exchange or the American Stock Exchange or in the over-the-counter market; (iii) any outbreak of major hostilities or other national or international calamity affecting securities markets in the United States; (iv) any banking moratorium declared by a state or federal authority; (v) any moratorium declared in foreign exchange trading by major international banks or other persons; (vi) any material interruption in the mail service or other means of communication within the United States; (vii) any material adverse change in the business, properties, assets, results of operations or financial condition of the Company; or (viii) any change in the market for securities in general or in political, financial or economic conditions which, in your reasonable business judgment, makes it inadvisable to proceed with the offering, sale and delivery of the Shares.

Any certificate or other document signed by any officer of the Company and delivered to you or to your counsel as required hereunder shall be deemed a representation and warranty by the Company hereunder as to the statements made therein. If any condition to your obligations hereunder has not been fulfilled as and when required to be so fulfilled, you may terminate this Agreement or, if you so elect, in writing waive any such conditions which have not been fulfilled or extend the time for their fulfillment. In the event that you elect to

terminate this Agreement, you shall notify the Company of such election in writing. Upon such termination, neither party shall have any further liability or obligation to the other except as provided in Section 10 hereof.

9. Indemnification and Contribution.

(a) The Company agrees to indemnify and hold harmless the Placement Agent, its respective officers, directors, stockholders, employees, agents, advisors, consultants and counsel, and each person, if any, who controls the Placement Agent within the meaning of Section 15 of the Act or Section 20(a) of the Exchange Act, against any and all loss, liability, claim, damage and expense (which shall include, for all purposes of this Section 9, without limitation,

reasonable attorneys' fees and any and all expenses incurred in investigating, preparing or defending against any litigation, commenced or threatened, or any claim and any and all amounts paid in settlement of any claim or litigation) as and when incurred arising out of, based upon or in connection with (i) any untrue statement or alleged untrue statement of a material fact contained in (A) the SEC Filings, the Executive Summary or in any document delivered or

19

statement made pursuant to Section 6(a)(vii), (B) the Registration Statement

or any amendment or supplement thereto, or (C) in any application or other document or communication (in this Section 9 collectively called an

"application") executed by or on behalf of the Company or based upon written

information furnished by or on behalf of the Company filed in any jurisdiction in order to register or qualify the Shares or the Compensatory Shares under the "blue sky" or securities laws thereof or in order to secure an exemption from such registration or qualification or filed with the Commission, or any omission or alleged omission to state a material fact required to be stated in the items listed in clauses (A), (B) or (C) or necessary to make the statements therein, in light of the circumstances in which made, not misleading (unless such statement or omission was made in reliance upon and in conformity with written information furnished to the Company by or on behalf of the Placement Agent with respect to the Compensatory Shares); or (ii) any breach of any representation, warranty, covenant or agreement of the Company contained in the Operative Agreements. The foregoing agreement to indemnify shall be in addition to any liability the Company may otherwise have, including liabilities arising under this Agreement.

If any action is brought against the Placement Agent or any of its officers, directors, stockholders, employees, agents, advisors, consultants and counsel, or any controlling persons of the Placement Agent (an "indemnified

party"), in respect of which indemnity may be sought against the Company

pursuant to the foregoing paragraph, such indemnified party or parties shall promptly notify the Company (the "indemnifying party") in writing of the

institution of such action (but the failure so to notify shall not relieve the indemnifying party from any liability it may have other than pursuant to this Section 9(a) unless such failure materially prejudices the indemnifying party),

and the indemnifying party shall promptly assume the defense of such action, including the employment of counsel (reasonably satisfactory to such indemnified party or parties) and payment of expenses. Such indemnified party shall have the right to employ its own counsel in any such case, but the fees and expenses of such counsel shall be at the expense of such indemnified party unless the employment of such counsel shall have been authorized in writing by the indemnifying party in connection with the defense of such action or the indemnifying party shall not have promptly employed counsel reasonably satisfactory to such indemnified party or parties to have charge of the defense of such action or such indemnified party or parties shall have reasonably concluded that there may be one or more legal defenses available to it or them or to other indemnified parties which are different from or additional to those available to one or more of the indemnifying parties and it would be inappropriate for the same counsel to represent both parties due to actual or potential differing interests between them, in any of which events such reasonable fees and expenses shall be borne by the indemnifying party and the indemnifying party shall not have the right to direct the defense of such action on behalf of the indemnified party or parties. Anything in this paragraph to the contrary notwithstanding, the indemnifying party shall not be liable for any settlement of any such claim or action effected without its written consent. The Company agrees promptly to notify the Placement Agent of the commencement of any litigation or proceedings against the Company or any of its officers or directors in connection with the sale of the Shares, the Executive Summary or any application.

20

(b) The Placement Agent agrees to indemnify and hold harmless the Company, its officers, directors, employees, agents and counsel, and each other person, if any, who controls the Company within the meaning of Section 15 of the Act or Section 20(a) of the Exchange Act, to the same extent as the foregoing indemnity from the Company to the Placement Agent in Section 9(a), with respect

to (i) any untrue statement or alleged untrue statement of a material fact, or any omission or alleged omission to state a material fact required to be stated or necessary to make the statements, in light of the circumstances in which they were made, not misleading, but only with respect to statements or omissions in the Registration Statement or any amendment or supplement thereto in reliance upon and in conformity with written information furnished to the Company by or on behalf of the Placement Agent with respect to the Compensatory Shares; or (ii) any breach of any representation, warranty, covenant or agreement of the

Placement Agency in the Operative Agreements. If any action shall be brought against the Company or any other person so indemnified in respect of which indemnity may be sought against the Placement Agent pursuant to this Section

9(b), the Placement Agent shall have the rights and duties given to the

indemnifying party, and the Company and each other person so indemnified shall have the rights and duties given to the indemnified parties, by the provisions of Section 9(a). The foregoing agreement to indemnify shall be in addition to

any liability the Placement Agent may otherwise have, including liabilities arising under this Agreement.

(c) To provide for just and equitable contribution, if (i) an indemnified party makes a claim for indemnification pursuant to Section 9(a) or

9(b) but it is found in a final judicial determination, not subject to further

appeal, that such indemnification may not be enforced in such case, even though this Agreement expressly provides for indemnification in such case, or (ii) any indemnified or indemnifying party seeks contribution under the Act, the Exchange Act, or otherwise, then the Company (including for this purpose any contribution made by or on behalf of any officer, director, employee, agent or counsel of the Company or any controlling person of the Company), on the one hand, and the Placement Agent (including for this purpose any contribution by or on behalf of an indemnified party), on the other hand, shall contribute to the losses, liabilities, claims, damages and expenses whatsoever to which any of them may be subject, in such proportions as are appropriate to reflect the relative benefits received by the Company, on the one hand, and the Placement Agent, on the other hand; provided, however, that if applicable law does not permit such allocation, then other relevant equitable considerations such as the relative fault of the Company and the Placement Agent in connection with the facts which resulted in such losses, liabilities, claims, damages and expenses shall also be considered. The relative benefits received by the Company, on the one hand, and the Placement Agent, on the other hand, shall be deemed to be in the same proportion as (x) the total proceeds from the Offering (net of compensation payable to the Placement Agent pursuant to Section 4 hereof but before deducting expenses)

received by the Company, bears to (y) the compensation received by the Placement Agent pursuant to Section 4 hereof.

The relative fault, in the case of an untrue statement, alleged untrue statement, omission or alleged omission, shall be determined by, among other things, whether such statement, alleged statement, omission or alleged omission relates to information supplied by the

access to information and opportunity to correct or prevent such statement, alleged statement, omission or alleged omission. The Company and the Placement Agent agree that it would be unjust and inequitable if the respective obligations of the Company and the Placement Agent for contribution were determined by pro rata or per capita allocation of the aggregate losses, liabilities, claims, damages and expenses or by any other method of allocation that does not reflect the equitable considerations referred to in this Section 9(c). In no case shall the Placement Agent be responsible

for a portion of the contribution obligation in excess of the compensation received by it pursuant to Section 4 hereof less the aggregate amount of any

damages that the Placement Agent has otherwise been required to pay in respect of the same or any substantially similar claim. No person guilty of a fraudulent misrepresentation (within the meaning of Section 11(f) of the Act) shall be entitled to contribution from any person who is not guilty of such fraudulent misrepresentation. For purposes of this Section 9(c), each person,

if any, who controls the Placement Agent within the meaning of Section 15 of the Act or Section 20(a) of the Exchange Act and each officer, director, stockholder, employee, agent and counsel of the Placement Agent shall have the same rights to contribution as the Placement Agent, and each person, if any, who controls the Company within the meaning of Section 15 of the Act or Section 20(a) of the Exchange Act and each officer, director, employee, agent and counsel of the Company shall have the same rights to contribution as the Company, subject in each case to the provisions of this Section 9(c). Anything

in this Section 9(c) to the contrary notwithstanding, no party shall be liable

for contribution with respect to the settlement of any claim or action effected without its written consent. This Section 9(c) is intended to supersede any

right to contribution under the Act, the Exchange Act or otherwise.

10. Representations and Agreements to Survive Delivery. All

representations, warranties, covenants and agreements contained in this Agreement shall be deemed to be representations, warranties, covenants and agreements at the Closing Date and, if applicable, each Additional Closing Date, and such representations, warranties, covenants and agreements, including the indemnity and contribution agreements contained in Section 9, shall remain

operative and in full force and effect regardless of any investigation made by or on behalf of the Placement Agent or any indemnified person, or by or on behalf of the Company or any person or entity which is entitled to be indemnified under Section 9(b), and shall survive termination of this Agreement

or the issuance, sale and delivery of the Shares. In addition, notwithstanding any election hereunder or any termination of this Agreement, and whether or not the terms of this Agreement are otherwise carried out, the provisions of Sections 6(a)(x), 6(a)(xvii), 7, 9, 10 and 12 shall survive termination of this

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Agreement and shall not be affected in any way by such election or termination or failure to carry out the terms of this Agreement or any part thereof.

11. Notices. All communications hereunder, except as may be

otherwise specifically provided herein, shall be in writing and, if sent to the Placement Agent, shall be mailed, delivered or telexed or telegraphed and confirmed by letter, to the address set forth above, or if sent to the Company, shall be mailed, delivered or telexed or telegraphed and confirmed by

22

letter, to Cardima, Inc., 47266 Benicia Street, Fremont, California 94538, Attention: President. All notices hereunder shall be effective upon receipt by the party to which it is addressed.

12. Assignment. This Agreement shall not be assigned by any party

hereto without the prior written consent of the other parties hereto.

13. Parties. This Agreement shall inure solely to the benefit of,

and shall be binding upon, the Placement Agent and the Company and the persons and entities referred to in Section 9 who are entitled to indemnification or

contribution and their respective successors, legal representatives and assigns (which shall not include any purchaser, as such, of Shares), and no other person shall have or be construed to have any legal or equitable right, remedy or claim under or in respect of or by virtue of this Agreement or any provision herein contained.

14. Construction. This Agreement shall be construed in accordance

with the laws of the State of New York, without giving effect to conflict of laws.

[INTENTIONALLY LEFT BLANK]

23

15. Counterparts. This Agreement may be executed in counterparts,

each of which shall constitute an original and all of which, when taken together, shall constitute one agreement.

If the foregoing correctly sets forth the understanding between us, please so indicate in the space provided below for that purpose, whereupon this

letter shall constitute a binding agreement among us.

Very truly yours,

CARDIMA, INC.

By: _____

Name:

Title:

Accepted as of the date first above written.
New York, New York

SUNRISE SECURITIES CORP.

By: _____

Name:

Title:

24

EXHIBIT A

Subscription Agreement

25

EXHIBIT B

Placement Agent Share Purchase Warrant

26

EXHIBIT C

Opinion of Counsel to the Company

27

EXHIBIT D

SCHEDULE 5 (a) (xv)

None

Company Press Release

Cardima Issues Shares in Private Placement

FREMONT, Calif.--(BW HealthWire)--Jan. 25, 1999--Cardima, Inc. (Nasdaq:CRDM - news) announced it had issued, with the assistance of a placement agent, 5,803,500 shares of common stock to certain accredited investors in a private placement at a purchase price of \$2.00 per share.

In addition, the Company issued 354,806 shares of Common Stock to the placement agent in lieu of commissions payable to the placement agent. The placement agent also received a warrant to purchase 580,350 shares of the Company's common stock with an exercise price of \$2.20 per share. The Company has agreed to register the purchased shares for resale by the investors as well as the shares issued to the placement agent, including the shares of common stock underlying the warrant.

Additionally, Cardima announced that it had reduced its full-time work force by approximately 30%. The reductions were Company-wide and were made to align the Company's available cash and spending plans going forward.

Phillip Radlick, Ph.D., President and Chief Executive Officer of Cardima, said, 'We want to achieve several key milestones with these new funds. We plan to continue to roll out the Revelation and Revelation Tx microcatheters, both of which are approved for therapeutic treatment of atrial fibrillation (AF) in the European Union, and the only microcatheters to have such approvals. We will expand the AF clinical trial in the United States, permission for which has been granted by the U.S. Food and Drug Administration (FDA). We will continue to work with opinion leaders in the electrophysiology community to develop leading-edge products to diagnose and treat AF and ventricular tachycardia (VT).'

Cardima, Inc. designs, develops, manufactures and markets minimally invasive, single-use microcatheter-based systems for the dual purpose of finding and treating the two most common forms of cardiac arrhythmias: atrial fibrillation, a condition of the heart characterized by the irregular and very rapid beating of the heart's atrial chambers, and ventricular tachycardia, a life-threatening condition in which heartbeats are improperly initiated from within the ventricular walls, bypassing the heart's normal conduction system. Cardima is the only company developing unique microcatheter systems to be used in both diagnosing and treating AF and VT. For further information about atrial fibrillation and ventricular tachycardia, contact Cardima's website at www.cardima.com.

Statements included in this press release that are not historical or current facts and which relate to the continued roll out of the Revelation and

Revelation Tx microcatheters, expansion of the AF clinical trial and the development of leading-edge products are ``forward-looking statements'' made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 and are subject to certain

risks and uncertainties that could cause actual results to differ materially from those anticipated. These risks and uncertainties include, but are not limited to, the Company's failure to continue the roll out of the Revelation and Revelation Tx microcatheters, expand the AF clinical trial, develop new products to diagnose and treat AF and VT and those risks discussed in the Company's periodic reports filed with the Securities and Exchange Commission.

Contact:

Cardima, Inc.
Ronald E. Bourquin, 510/354-0162
www.cardima.com