NEOPROBE CORP
Form 10-Q
May 14, 2010

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2010

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission File Number: 0-26520

NEOPROBE CORPORATION
(Exact name of registrant as specified in its charter)

Delaware	31-1080091
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)
425 Metro Place North, Suite 300, Dublin, Ohio	43017-1367
(Address of principal executive offices)	(Zip Code)

(614) 793-7500
(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes x No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
Yes o No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer o	Accelerated filer o
Non-accelerated filer o	Smaller reporting company x

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act.)

Yes o No x

Indicate the number of shares outstanding of each of the issuer’s classes of common stock, as of the latest practicable date: 81,957,277 shares of common stock, par value $.001 per share (as of the close of business on May 7, 2010).

NEOPROBE CORPORATION and SUBSIDIARIES

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

Neoprobe Corporation and Subsidiaries
Consolidated Balance Sheets

ASSETS	March 31, 2010 (unaudited)	December 31, 2009
Current assets:		
Cash	$ 5,956,271	$ 5,639,842
Accounts receivable, net	1,136,073	1,331,908
Inventory	1,361,412	1,143,697
Prepaid expenses and other	212,723	474,243
Assets associated with discontinued operations	16,572	27,475
Total current assets	8,683,051	8,617,165
Property and equipment	2,219,250	1,990,603
Less accumulated depreciation and amortization	1,749,164	1,693,290
	470,086	297,313
Patents and trademarks	533,261	524,224
Less accumulated amortization	444,378	445,650
	88,883	78,574
Other assets	22,534	24,707
Total assets	$ 9,264,554	$ 9,017,759

Continued

Neoprobe Corporation and Subsidiaries
Consolidated Balance Sheets, continued

LIABILITIES AND STOCKHOLDERS' DEFICIT	March 31, 2010 (unaudited)	December 31, 2009
Current liabilities:		
Accounts payable	$ 1,091,743	$ 763,966
Accrued liabilities and other	1,777,795	1,048,304
Capital lease obligations, current portion	11,633	11,265
Deferred revenue, current portion	522,320	560,369
Liabilities associated with discontinued operations	19,029	18,743
Total current liabilities	3,422,520	2,402,647
Capital lease obligations	16,519	19,912
Deferred revenue	502,875	534,119
Note payable to CEO, net of discounts of $48,076 and $54,093, respectively	951,924	945,907
Notes payable to investors	10,000,000	10,000,000
Derivative liabilities	2,380,956	1,951,664
Other liabilities	29,906	33,362
Total liabilities	17,304,700	15,887,611
Commitments and contingencies		
Preferred stock; $.001 par value; 5,000,000 shares authorized; 3,000 Series A shares, par value $1,000, issued and outstanding at March 31, 2010 and December 31, 2009	3,000,000	3,000,000
Stockholders' deficit:		
Common stock; $.001 par value; 150,000,000 shares authorized; 81,891,716 and 80,936,711 shares issued and outstanding at March 31, 2010 and December 31, 2009, respectively	81,892	80,937
Additional paid-in capital	184,096,762	182,747,897
Accumulated deficit	(195,218,800)	(192,698,686)
Total stockholders' deficit	(11,040,146)	(9,869,852)
Total liabilities and stockholders' deficit	$ 9,264,554	$ 9,017,759

See accompanying notes to consolidated financial statements

Neoprobe Corporation and Subsidiaries
Consolidated Statements of Operations
(unaudited)

	Three Months Ended March 31, 2010	Three Months Ended March 31, 2009
Revenues:		
Net sales	$ 2,657,872	$ 2,657,221
License revenue	25,000	25,000
Total revenues	2,682,872	2,682,221
Cost of goods sold	888,867	826,363
Gross profit	1,794,005	1,855,858
Operating expenses:		
Research and development	2,401,672	1,221,969
Selling, general and administrative	1,128,202	837,323
Total operating expenses	3,529,874	2,059,292
Loss from operations	(1,735,869)	(203,434)
Other income (expense):		
Interest income	1,814	9,947
Interest expense	(284,438)	(457,134)
Change in derivative liabilities	(429,292)	1,525,365
Other	(456)	(274)
Total other (expense) income, net	(712,372)	1,077,904
(Loss) income from continuing operations	(2,448,241)	874,470
Discontinued operations – loss from operations	(11,873)	(60,349)
Net (loss) income	(2,460,114)	814,121
Preferred stock dividends	(60,000)	(60,000)
(Loss) income attributable to common stockholders	$ (2,520,114)	$ 754,121
(Loss) income per common share (basic and diluted):		
Continuing operations	$ (0.03)	$ 0.01
Discontinued operations	$ 0.00	$ 0.00
Attributable to common stockholders	$ (0.03)	$ 0.01
Weighted average shares outstanding:		
Basic	79,571,399	71,387,438
Diluted	79,571,399	96,346,846

See accompanying notes to consolidated financial statements.

Neoprobe Corporation and Subsidiaries
Consolidated Statement of Stockholders' Deficit
(unaudited)

	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Accumulated Deficit	Total
Balance, December 31, 2009	80,936,711	$ 80,937	$ 182,747,897	$ (192,698,686)	$ (9,869,852)
Issued stock in payment of interest on convertible debt and dividends on convertible preferred stock	239,757	240	309,760	—	310,000
Issued stock upon net-share exercise of options	1,208	1	(1)	—	—
Issued stock in connection with stock purchase agreement, net of costs	660,541	661	776,797	—	777,458
Issued stock to 401(k) plan at $0.76	53,499	53	40,570	—	40,623
Paid common stock issuance costs	—	—	(1,366)	—	(1,366)
Stock compensation expense	—	—	223,105	—	223,105
Preferred stock dividends	—	—	—	(60,000)	(60,000)
Comprehensive loss:					
Net loss	—	—	—	(2,460,114)	(2,460,114)
Balance, March 31, 2010	81,891,716	$ 81,892	$ 184,096,762	$ (195,218,800)	$ (11,040,146)

See accompanying notes to consolidated financial statements.

Neoprobe Corporation and Subsidiaries
Consolidated Statements of Cash Flows
(unaudited)

	Three Months Ended March 31, 2010	Three Months Ended March 31, 2009
Cash flows from operating activities:		
Net (loss) income	$ (2,460,114)	$ 814,121
Adjustments to reconcile net (loss) income to net cash used in operating activities:		
Depreciation and amortization	61,981	100,896
Amortization of debt discount and debt offering costs	8,190	179,730
Issuance of common stock in payment of interest and dividends	250,000	83,333
Stock compensation expense	223,105	70,536
Change in derivative liabilities	429,292	(1,525,365)
Other	40,977	4,581
Changes in operating assets and liabilities:		
Accounts receivable	200,735	(41,139)
Inventory	(226,003)	(28,794)
Prepaid expenses and other assets	38,976	33,955
Accounts payable	328,977	(38,918)
Accrued liabilities and other liabilities	597,321	(38,217)
Deferred revenue	(69,293)	(30,815)
Net cash used in operating activities	(575,856)	(416,096)
Cash flows from investing activities:		
Maturities of available-for-sale securities	—	494,000
Purchases of equipment	(90,422)	(40,491)
Proceeds from sales of equipment	—	251
Patent and trademark costs	(12,902)	(12,665)
Net cash (used in) provided by investing activities	(103,324)	441,095
Cash flows from financing activities:		
Proceeds from issuance of common stock	1,000,000	25,500
Payment of stock offering costs	(1,366)	(12,866)
Payment of notes payable	—	(50,992)
Payments under capital leases	(3,025)	(3,421)
Net cash provided by (used in) financing activities	995,609	(41,779)
Net increase (decrease) in cash	316,429	(16,780)
Cash, beginning of period	5,639,842	3,565,837
Cash, end of period	$ 5,956,271	$ 3,549,057

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements
(unaudited)

1. Summary of Significant Accounting Policies

a. Basis of Presentation: The information presented as of March 31, 2010 and for the three-month periods ended March 31, 2010 and March 31, 2009 is unaudited, but includes all adjustments (which consist only of normal recurring adjustments) that the management of Neoprobe Corporation (Neoprobe, the Company, or we) believes to be necessary for the fair presentation of results for the periods presented. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to the rules and regulations of the U.S. Securities and Exchange Commission. The balances as of March 31, 2010 and the results for the interim periods are not necessarily indicative of results to be expected for the year. The consolidated financial statements should be read in conjunction with Neoprobe's audited consolidated financial statements for the year ended December 31, 2009, which were included as part of our Annual Report on Form 10-K.

Our consolidated financial statements include the accounts of Neoprobe, our wholly-owned subsidiary, Cardiosonix Ltd. (Cardiosonix), and our 90%-owned subsidiary, Cira Biosciences, Inc. (Cira Bio). All significant inter-company accounts were eliminated in consolidation.

In August 2009, the Company's Board of Directors decided to discontinue the operations of Cardiosonix and to attempt to divest our Cardiosonix subsidiary. This decision was based on the determination that the blood flow measurement device segment was no longer considered a strategic initiative of the Company, due in large part to positive events in our other development initiatives. Our consolidated statements of operations have been restated for all prior periods presented to reflect Cardiosonix as a discontinued operation. Cash flows associated with the operation of Cardiosonix have been combined within operating, investing and financing cash flows, as appropriate, in our consolidated statements of cash flows. See Note 2.

b. Financial Instruments and Fair Value: The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value, giving the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2 – Quoted prices in markets that are not active or financial instruments for which all significant inputs are observable, either directly or indirectly; and

Level 3 – Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. In determining the appropriate levels, we perform a detailed analysis of the assets and liabilities whose fair value is measured on a recurring basis. At each reporting period, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs or instruments which trade infrequently and therefore have little or no price transparency are classified as Level 3. In estimating the fair value of our derivative liabilities, we used the Black-Scholes option pricing model and, where necessary, other macroeconomic, industry and Company-specific conditions. See Note 3.

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The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

(1) Cash, accounts receivable, accounts payable, and accrued liabilities: The carrying amounts approximate fair value because of the short maturity of these instruments.

(2) Note payable to CEO: The carrying value of our debt is presented as the face amount of the note less the unamortized discount related to the initial estimated fair value of the warrants to purchase common stock issued in connection with the note. At March 31, 2010 and December 31, 2009, the note payable to our CEO had an estimated fair value of $5.3 million and $3.9 million, respectively, based on the closing market price of our common stock.

(3) Notes payable to investors: The carrying value of our debt is presented as the face amount of the notes. At March 31, 2010 and December 31, 2009, the notes payable to investors had an estimated fair value of $41.6 million and $31.0 million, respectively, based on the closing market price of our common stock.

(4) Derivative liabilities: Derivative liabilities are recorded at fair value. Fair value of warrant liabilities is determined based on a Black-Scholes option pricing model calculation. Fair value of conversion and put option liabilities is determined based on a probability-weighted Black-Scholes option pricing model calculation. Unrealized gains and losses on the derivatives are classified in other expenses as a change in derivative liabilities in the statements of operations.

2. Discontinued Operations

In August 2009, the Company's Board of Directors decided to discontinue the operations of Cardiosonix and to attempt to sell our Cardiosonix subsidiary. This decision was based on the determination that the blood flow measurement device segment was no longer considered a strategic initiative of the Company, due in large part to positive events in our other product and drug development initiatives. We are in the process of identifying potential buyers; however, no agreement has yet been reached.

As a result of our decision to hold Cardiosonix for sale, we reclassified certain assets and liabilities as assets and liabilities associated with discontinued operations and reduced them to their estimated fair value at that time. The following assets and liabilities have been segregated and included in assets associated with discontinued operations or liabilities associated with discontinued operations, as appropriate, in the consolidated balance sheets:

	March 31, 2010	December 31, 2009
Accounts receivable, net	$ 10,450	$ 15,349
Inventory	6,122	12,126
Current assets associated with discontinued operations	$ 16,572	$ 27,475
Accounts payable	$ 6,600	$ 5,400
Accrued expenses	12,429	13,343
Current liabilities associated with discontinued operations	$ 19,029	$ 18,743

We recorded an impairment loss of $1.7 million during the third quarter of 2009 and have reclassified all related revenues and expenses to discontinued operations for all periods presented. Until a sale is completed, we expect to continue to generate revenues and incur expenses related to our blood flow measurement device business. The following amounts have been segregated from continuing operations and included in discontinued operations in the consolidated statements of operations:

	Three Months Ended March 31, 2010	Three Months Ended March 31, 2009
Net sales	$ 14,445	$ 42,815
Cost of goods sold	6,389	22,171
Gross profit	8,056	20,644
Operating expenses:		
Research and development	251	16,089
Selling, general and administrative	19,862	64,725
Total operating expenses	20,113	80,814
Other income (expense)	184	(179)
Loss from discontinued operations	$ (11,873)	$ (60,349)

3. Fair Value Hierarchy

The following tables set forth, by level, financial liabilities measured at fair value on a recurring basis:

Liabilities Measured at Fair Value on a Recurring Basis as of March 31, 2010

Description	Quoted Prices in Active Markets for Identical Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance as of March 31, 2010
Liabilities:				
Derivative liabilities related to warrants	$ —	$ 1,414,956	$ —	$ 1,414,956
Derivative liabilities related to conversion and put options	—	—	966,000	966,000
Total derivative liabilities	$ —	$ 1,414,956	$ 966,000	$ 2,380,956

Liabilities Measured at Fair Value on a Recurring Basis as of December 31, 2009

Description	Quoted Prices in Active Markets for Identical Assets and Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance as of December 31, 2009
Liabilities:				
Derivative liabilities related to warrants	$ —	$ 985,664	$ —	$ 985,664
Derivative liabilities related to put options	—	—	966,000	966,000
Total derivative liabilities	$ —	$ 985,664	$ 966,000	$ 1,951,664

The following tables set forth a summary of changes in the fair value of our Level 3 liabilities for the three-month periods ended March 31, 2010 and 2009:

Three Months Ended March 31, 2010

Description	Balance at December 31, 2009	Unrealized (Gains) Losses	Transfers In and/or (Out)	Balance at March 31, 2010
Liabilities:				
Derivative liabilities related to conversion and put options	$ 966,000	$ —	$ —	$ 966,000

	Three Months Ended March 31, 2009			
Description	Balance at December 31, 2008	Unrealized (Gains) Losses	Transfers In and/or (Out) (See Note 10)	Balance at March 31, 2009
Liabilities:				
Derivative liabilities related to conversion and put options	$ 853,831	$ (556,637)	$ 5,304,487	$ 5,601,681

There were no transfers in or out of our Level 1 and Level 2 fair value measurements during the three-month period ended March 31, 2010. During the three-month period ended March 31, 2009, we transferred $7.7 million into our Level 2 liabilities. The transfer was a result of the required January 1, 2009 adoption of a new accounting standard which clarified the determination of whether equity-linked instruments, such as warrants to purchase our common stock, are considered indexed to our own stock. As a result of adopting the new standard, certain warrants to purchase our common stock that were previously treated as equity were reclassified as derivative liabilities.

4. Stock-Based Compensation

At March 31, 2010, we have instruments outstanding under three stock-based compensation plans; the Amended and Restated Stock Option and Restricted Stock Purchase Plan (the Amended Plan), the 1996 Stock Incentive Plan (the 1996 Plan), and the Second Amended and Restated 2002 Stock Incentive Plan (the 2002 Plan). Currently, under the 2002 Plan, we may grant incentive stock options, nonqualified stock options, and restricted stock awards to full-time employees and directors, and nonqualified stock options and restricted stock awards may be granted to our consultants and agents. Total shares authorized under each plan are 2 million shares, 1.5 million shares and 7 million shares, respectively. Although options are still outstanding under the Amended Plan and the 1996 Plan, these plans are considered expired and no new grants may be made from them. Under all three plans, the exercise price of each option is greater than or equal to the closing market price of our common stock on the day prior to the date of the grant.

Options granted under the Amended Plan, the 1996 Plan and the 2002 Plan generally vest on an annual basis over one to three years. Outstanding options under the plans, if not exercised, generally expire ten years from their date of grant or 90 days from the date of an optionee’s separation from employment with the Company. We issue new shares of our common stock upon exercise of stock options.

Stock-based payments to employees and directors, including grants of stock options, are recognized in the statement of operations based on their estimated fair values. The fair value of each option award is estimated on the date of grant using the Black-Scholes option pricing model to value share-based payments. Expected volatilities are based on the Company’s historical volatility, which management believes represents the most accurate basis for estimating expected volatility under the current circumstances. Neoprobe uses historical data to estimate forfeiture rates. The expected term of options granted is based on the vesting period and the contractual life of the options. The risk-free rate is based on the U.S. Treasury yield in effect at the time of the grant.

Compensation cost arising from stock-based awards is recognized as expense using the straight-line method over the vesting period. For the three-month periods ended March 31, 2010 and 2009, our total stock-based compensation expense was approximately $223,000 and $71,000, respectively. We have not recorded any income tax benefit related to stock-based compensation in either of the three-month periods ended March 31, 2010 and 2009.

A summary of stock option activity under our stock option plans as of March 31, 2010, and changes during the three-month period then ended, is presented below:

	Three Months Ended March 31, 2010			
	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value
Outstanding at beginning of period	5,689,500	$ 0.44		
Granted	20,000	1.72		
Exercised	(5,000)	1.03		
Forfeited	—	—		
Expired	—	—		
Outstanding at end of period	5,704,500	$ 0.44	5.1 years	$ 6,843,420
Exercisable at end of period	4,965,500	$ 0.38	4.5 years	$ 6,252,044

A summary of the status of our unvested restricted stock as of March 31, 2010, and changes during the three-month period then ended, is presented below:

	Three Months Ended March 31, 2010	
	Number of Shares	Weighted Average Grant-Date Fair Value
Unvested at beginning of period	1,719,000	$ 0.76
Granted	—	—
Vested	—	—
Forfeited	—	—
Unvested at end of period	1,719,000	$ 0.76

Restricted shares vest upon occurrence of a specific event or achievement of goals as defined in the grant agreements. As a result, we have recorded compensation expense related to grants of restricted stock based on management's estimates of the probable dates of the vesting events.

As of March 31, 2010, there was approximately $1.0 million of total unrecognized compensation cost related to unvested stock-based awards, which we expect to recognize over remaining weighted average vesting terms of 0.7 years.

5. Comprehensive Income (Loss)

We had no accumulated other comprehensive income (loss) activity during the three-month period ended March 31, 2010; therefore, our total comprehensive loss was equal to our net loss for that period. Due to our net operating loss carryforwards, there are no income tax effects on comprehensive income (loss) components for the three-month period ended March 31, 2009.

	Three Months Ended March 31, 2009
Net income	$ 814,121
Unrealized losses on available-for-sale securities	(1,383)
Other comprehensive income	$ 812,738

6. Earnings (Loss) Per Share

Basic earnings (loss) per share is calculated by dividing net income (loss) by the weighted-average number of common shares and, except for periods of loss, participating securities outstanding during the period. Diluted earnings (loss) per share reflects additional common shares that would have been outstanding if dilutive potential common shares had been issued. Potential common shares that may be issued by the Company include convertible securities, options and warrants.

The following table sets forth the reconciliation of the weighted average number of common shares outstanding to those used to compute basic and diluted earnings (loss) per share for the three-month periods ended March 31, 2010 and 2009:

	Three Months Ended March 31, 2010		Three Months Ended March 31, 2009	
	Basic Earnings Per Share	Diluted Earnings Per Share	Basic Earnings Per Share	Diluted Earnings Per Share
Outstanding shares	81,891,716	81,891,716	71,555,707	71,555,707
Effect of weighting changes in outstanding shares	(601,317)	(601,317)	(168,269)	(168,269)
Unvested restricted stock	(1,719,000)	(1,719,000)	—	—
Stock options	—	—	—	1,803,941
Warrants	—	—	—	5,596,328
Convertible debt	—	—	—	11,559,139
Convertible preferred stock	—	—	—	6,000,000
Adjusted shares	79,571,399	79,571,399	71,387,438	96,346,846

Earnings (loss) per common share for the periods ended March 31, 2010 and 2009 excludes the effects of 59,108,511 and 14,163,538 common share equivalents, respectively, since such inclusion would be anti-dilutive. The excluded shares consist of common shares issuable upon exercise of outstanding stock options and warrants, or upon the conversion of convertible debt and convertible preferred stock.

The Company’s unvested stock awards contain nonforfeitable rights to dividends or dividend equivalents, whether paid or unpaid (referred to as “participating securities”). Therefore, the unvested stock awards are included in the number of shares outstanding for both basic and diluted earnings per share calculations. In the event of a net loss, the participating securities are excluded from the calculation of both basic and diluted earnings per share. Due to our net loss, 1,719,000 shares of unvested restricted stock were excluded in determining basic and diluted loss per share for the three-month period ended March 31, 2010.

The following table presents the key factors considered in the calculation of basic and diluted net earnings per common share for the three-month period ended March 31, 2009. There was no difference in basic and diluted loss per share for the three-month period ended March 31, 2010.

	Three Months Ended March 31, 2009		
	Earnings (Numerator)	Weighted Average Shares (Denominator)	Per Share Amount
Net income	$ 814,121		
Preferred stock dividends	(60,000)		
Basic EPS:			
Income available to common stockholders	754,121	71,387,438	$ 0.01
Effect of Dilutive Securities:			
Stock options	-	1,803,941	
Warrants	-	5,596,328	
Convertible debt	105,315	11,559,139	
Convertible preferred stock	60,000	6,000,000	
Diluted EPS:			
Income available to common stockholders, including assumed conversions	$ 919,436	96,346,846	$ 0.01

7. Inventory

From time to time, we capitalize certain inventory costs associated with our Lymphoseek® product prior to regulatory approval and product launch based on management's judgment of probable future commercial use and net realizable value of the inventory. We could be required to permanently write down previously capitalized costs related to pre-approval or pre-launch inventory upon a change in such judgment, due to a denial or delay of approval by regulatory bodies, a delay in commercialization, or other potential factors. Conversely, our gross margins may be favorably impacted if some or all of the inventory previously written down becomes available and is used for commercial sale. During the three-month periods ended March 31, 2010 and 2009, we did not capitalize any inventory costs associated with our Lymphoseek product.

The components of net inventory are as follows:

	March 31, 2010 (unaudited)	December 31, 2009
Pharmaceutical materials	$ 352,500	$ 525,000
Gamma detection device materials	211,818	137,695
Pharmaceutical work-in-process	172,500	—
Gamma detection device finished goods	624,594	481,002
Total	$ 1,361,412	$ 1,143,697

8. Intangible Assets

The major classes of intangible assets are as follows:

		March 31, 2010		December 31, 2009	
	Weighted Average Remaining Life1	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Patents and trademarks	2.7 yrs	$ 533,261	$ 444,378	$ 524,224	$ 445,650

1 The weighted average remaining life is calculated for issued patents and does not include pending patent applications or trademarks which are not currently being amortized.

The estimated amortization expenses, related to those patents and trademarks currently being amor