ENZO BIOCHEM INC
Form 10-Q
March 12, 2013

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

Mark one

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

For the quarterly period ended January 31, 2013

or

£ 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 001-09974

ENZO BIOCHEM, INC.

(Exact name of registrant as specified in its charter)

New York (State or Other Jurisdiction of Incorporation or Organization)	13-2866202 (IRS. Employer Identification No.)

527 Madison Ave, New York, New York	10022
(Address of Principal Executive office)	(Zip Code)

212-583-0100
(Registrant's telephone number, including area code)

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 has 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 45 of Regulation S-T (§232.405 of that chapter) during the preceding 12 months (or such shorter period that the registrant was required to submit and post such files).

Yes x No o

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

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

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

Yes £ No S

As of March 1, 2013 the Registrant had approximately 39,378,600 shares of common stock outstanding.

ENZO BIOCHEM, INC.
FORM 10-Q
January 31, 2013

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Part 1 Financial Information
Item 1 Financial Statements

ENZO BIOCHEM, INC.
CONSOLIDATED BALANCE SHEETS
(Dollars in thousands, except share data)

	January 31, 2013 (unaudited)	July 31, 2012 (audited)
ASSETS		
Current assets:		
Cash and cash equivalents	$ 10,023	$ 15,076
Accounts receivable, net of allowances	12,580	14,135
Inventories	9,300	8,800
Prepaid expenses	2,214	2,357
Total current assets	34,117	40,368
Property, plant and equipment, net	9,252	9,116
Goodwill	7,452	7,452
Intangible assets, net	10,974	11,780
Other	431	407
Total assets	$ 62,226	$ 69,123
LIABILITIES AND STOCKHOLDERS’ EQUITY		
Current liabilities:		
Accounts payable – trade	$ 8,962	$ 9,020
Accrued liabilities	11,201	9,818
Other current liabilities	281	118
Total current liabilities	20,444	18,956
Deferred taxes	727	938
Other liabilities	765	128
Commitments and contingencies		
Stockholders’ equity:		
Preferred Stock, $.01 par value; authorized 25,000,000 shares; no shares issued or outstanding	—	—
Common Stock, $.01 par value; authorized 75,000,000 shares; shares issued: 39,592,612 at January 31, 2013 and 39,495,475 at July 31, 2012	396	395
Additional paid-in capital	304,659	304,358
Less treasury stock at cost: 216,556 shares at January 31, 2013 and July 31, 2012	(3,074)	(3,074)
Accumulated deficit	(263,548)	(254,183)
Accumulated other comprehensive income	1,857	1,605
Total stockholders’ equity	40,290	49,101
Total liabilities and stockholders’ equity	$ 62,226	$ 69,123

The accompanying notes are an integral part of these consolidated financial statements.

ENZO BIOCHEM, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)
(Dollars in thousands, except per share data)

	Three Months Ended January 31,		Six Months Ended January 31,	
	2013	2012	2013	2012
Revenues:				
Clinical laboratory services	$13,320	$14,123	$28,497	$28,310
Product revenues	7,876	9,542	16,309	19,245
Royalty and license fee income	1,014	1,308	3,033	3,170
Total revenues	22,210	24,973	47,839	50,725
Operating expenses:				
Cost of clinical laboratory services	9,425	8,709	19,135	17,523
Cost of product revenues	4,143	4,685	8,327	9,822
Research and development	968	1,703	1,979	3,328
Selling, general, and administrative	10,892	11,487	22,308	23,872
Provision for uncollectible accounts receivable	1,335	1,169	2,929	2,455
Legal	1,441	1,023	3,142	1,892
Total operating expenses	28,204	28,776	57,820	58,892
Operating loss	(5,994)	(3,803)	(9,981)	(8,167)
Other income (expense):				
Interest	(7)	14	(15)	12
Other	43	65	56	76
Foreign currency income (loss)	104	(352)	333	(323)
Loss before income taxes	(5,854)	(4,076)	(9,607)	(8,402)
Benefit (provision) for income taxes	180	(145)	242	(313)
Net loss	$(5,674)	$(4,221)	$(9,365)	$(8,715)
Net loss per common share:				
Basic and diluted	$(0.14)	$(0.11)	$(0.24)	$(0.23)
Weighted average common shares outstanding:				
Basic and diluted	39,312	38,616	39,295	38,607

The accompanying notes are an integral part of these consolidated financial statements.

ENZO BIOCHEM, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(UNAUDITED)
(Dollars in thousands)

	Three Months Ended January 31,		Six Months Ended January 31,	
	2013	2012	2013	2012
Net loss	$(5,674)	$(4,221)	$(9,365)	$(8,715)
Other comprehensive income (loss):				
Foreign currency translation adjustments, net of tax	92	(628)	252	(1,590)
Comprehensive loss	$(5,582)	$(4,849)	$(9,113)	$(10,305)

The accompanying notes are an integral part of these consolidated financial statements.

ENZO BIOCHEM, INC.

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
Six months ended January 31, 2013
(UNAUDITED)
(Dollars In thousands, except share data)

	Common Stock Shares	Treasury Stock Shares	Common Stock Amount	Additional Paid-in Capital	Treasury Stock Amount	Accumulated Deficit	Accumulated Other Comprehensive Income	Total Stockholders' Equity
Balance at July 31, 2012	39,495,475	216,556	$ 395	$ 304,358	$ (3,074)	$ (254,183)	$ 1,605	$ 49,101
Net loss for the period ended January 31, 2013	—	—	—	—	—	(9,365)	—	(9,365)
Vesting of restricted stock	97,137	—	1	—	—	—	—	1
Stock based compensation charges	—	—	—	301	—	—	—	301
Other comprehensive income	—	—	—	—	—	—	252	252
Balance at January 31, 2013	39,592,612	216,556	$ 396	$ 304,659	$ (3,074)	$ (263,548)	$ 1,857	$ 40,290

The accompanying notes are an integral part of these consolidated financial statements.

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ENZO BIOCHEM, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)
(Dollars in thousands)

	Six Months Ended January 31, 2013	2012
Cash flows from operating activities:		
Net loss	$(9,365)	$(8,715)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization of property, plant and equipment	1,339	1,480
Amortization of intangible assets	997	779
Provision for uncollectible accounts receivable	2,929	2,455
Income tax benefit	(243)	(62)
Share based compensation charges	301	430
Share based 401(k) employer match expense	293	289
Foreign currency transaction loss (gain)	(352)	343
Changes in operating assets and liabilities:		
Accounts receivable	(1,299)	(750)
Inventories	(411)	(326)
Prepaid expenses	148	325
Accounts payable – trade	(17)	(130)
Accrued liabilities, other current liabilities and other liabilities	1,107	329
Total adjustments	4,792	5,162
Net cash used in operating activities	(4,573)	(3,553)
Cash flows from investing activities:		
Purchases of short term investments	—	(20,000)
Maturities of short term investments	—	20,000
Capital expenditures	(590)	(544)
Security deposits and other	(24)	29
Earn-out payment	—	(1,150)
Net cash used in investing activities	(614)	(1,665)
Cash flows from financing activities:		
Installment loan and capital lease obligation payments	(83)	(68)
Net cash used in financing activities	(83)	(68)
Effect of exchange rate changes on cash and cash equivalents	217	(286)
Decrease in cash and cash equivalents	(5,053)	(5,572)
Cash and cash equivalents - beginning of period	15,076	14,161
Cash and cash equivalents - end of period	$10,023	$8,589

The accompanying notes are an integral part of these consolidated financial statements.

ENZO BIOCHEM, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As of January 31, 2013
and for the three and six months ended
January 31, 2013 and 2012
(Unaudited)
(Dollars in thousands, except share data)

Note 1 – Basis of Presentation

The accompanying consolidated financial statements include the accounts of Enzo Biochem, Inc. and its wholly-owned subsidiaries, Enzo Life Sciences, Enzo Clinical Labs, Enzo Therapeutics and Enzo Realty LLC, collectively referred to as the "Company" or "Companies". The consolidated balance sheet as of January 31, 2013, the consolidated statements of operations and the consolidated statements of comprehensive income (loss) for the three and six months ended January 31, 2013 and 2012, the consolidated statements of cash flows for the six months ended January 31, 2013 and 2012, and the consolidated statement of stockholders' equity for the six months ended January 31, 2013 are unaudited. In the opinion of management, all adjustments (which include normal recurring adjustments) necessary to present fairly the financial position and operating results for the interim periods have been made. Certain information and footnote disclosure, normally included in annual financial statements prepared in accordance with accounting principles generally accepted in the United States, have been condensed or omitted. The consolidated financial statements should be read in conjunction with the consolidated financial statements for the year ended July 31, 2012 and notes thereto contained in the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission. The consolidated balance sheet at July 31, 2012 has been derived from the audited financial statements at that date. The results of operations for the three and six months ended January 31, 2013 are not necessarily indicative of the results that may be expected for the fiscal year ending July 31, 2013.

Recent Accounting Pronouncements Adopted

In June 2011, the FASB issued Accounting Standards Update No. 2011-05, "Comprehensive Income" (Topic 220) – Presentation of Comprehensive Income" (ASU No. 2011-05), which requires an entity to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. ASU 2011-05 eliminated the option to present the components of other comprehensive income as part of the statement of stockholders' equity. The Company adopted ASU 2011-05 in its first quarter of fiscal year 2013 by including the required disclosures in two separate but consecutive statements.

In September 2011, the FASB issued Accounting Standards Update No. 2011-08 "Testing Goodwill for Impairment" (ASU No. 2011-08) which is intended to reduce the complexity and costs to test goodwill for impairment. The amendment allows an entity the option to make a qualitative evaluation about the likelihood of goodwill impairment to determine whether it is necessary to perform the two-step quantitative goodwill impairment test. An entity will no longer be required to calculate the fair value of a reporting unit unless the entity determines, based on its qualitative assessment, that it is more likely than not that the fair value of the reporting unit is less than its carrying amount. The ASU also expands upon the examples of events and circumstances that an entity should consider between annual impairment tests in determining whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. The amendment became effective for annual and interim goodwill impairment tests performed for the Company's fiscal year beginning August 1, 2012. The Company does not expect the adoption of ASU 2011-08 to have a material impact on its consolidated financial statements.

In July 2011, the FASB issued ASU No. 2011-07 "Health Care Entities (Topic 954) - Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care

Entities”. This update was issued to provide greater transparency relating to accounting practices used for net patient service revenue and related bad debt allowances by health care entities. Some health care entities recognize patient service revenue at the time the services are rendered regardless of whether the entity expects to collect that amount or has assessed the patient’s ability to pay. These prior accounting practices used by some health care entities resulted in a gross-up of patient service revenue and the provision for bad debts, causing difficulty for users of financial statements to make accurate comparisons and analyses of financial statements among entities. ASU No. 2011-07 requires certain healthcare entities to change the presentation of the statement of operations, reclassifying the provision for bad debts associated with patient service revenue from an operating expense to a deduction from patient service revenue and also requires enhanced quantitative and qualitative disclosures relevant to the entity’s policies for recognizing revenue and assessing bad debts.

This update is not designed to change and will not change the net income reported by healthcare entities. The Company adopted this update in its first quarter of fiscal year 2013 with no impact on its consolidated financial position or results of operations.

Note 2 – Net loss per share

Basic net income (loss) per share represents net income (loss) divided by the weighted average number of common shares outstanding during the period. The dilutive effect of potential common shares, consisting of outstanding stock options and unvested restricted stock, is determined using the treasury stock method. Diluted weighted average shares outstanding for the three and six months ended January 31, 2013 and 2012 do not include the potential common shares from stock options and unvested restricted stock because to do so would have been antidilutive, and as such is the same as basic weighted average shares outstanding.

During the three and six months ended January 31, 2013 and 2012, potential shares from unvested restricted stock excluded from the computation of diluted net loss per share were approximately 23,000 and 24,000 shares, respectively.

For the three and six months ended January 31, 2013 the effect of approximately 780,000 and 733,000 shares respectively, of outstanding "out of the money" options to purchase common shares were excluded from the calculation of diluted net loss per share because their effect would be anti-dilutive. During the three and six months ended January 31, 2012, approximately 776,000 and 780,000 shares respectively were excluded from the calculation of diluted net loss per share.

Note 3 – Share-based compensation

The Company has an incentive stock option plan (the "1999 Plan"), an incentive stock option and restricted stock award plan (the "2005 Plan"), and a long term incentive share award plan, (the "2011 Incentive Plan"), which are more fully described in Note 9 to the consolidated financial statements included in the Company's Annual Report on Form 10-K for the fiscal year ended July 31, 2012. The 2011 Plan, which is the only plan from which awards may now be granted, provides for the award to eligible employees, officers, directors, consultants and other persons of stock options, stock appreciation rights (SARs), restricted stock, restricted stock units, performance awards, and other stock-based awards.

The amounts of share-based compensation expense recognized in the periods presented are as follows:

	Three months ended January 31,		Six months ended January 31,	
	2013	2012	2013	2012
Stock options	15	—	15	—
Restricted stock	145	217	286	430
	$160	$217	$301	$430

The following table sets forth the amount of expense related to share-based payment arrangements included in specific line items in the accompanying statements of operations:

	Three months ended January 31,		Six months ended January 31,	
	2013	2012	2013	2012
Cost of clinical laboratory services	$2	$3	$5	$5
Research and development	1	1	1	4
Selling, general and administrative	157	213	295	421
	$160	$217	$301	$430

No excess tax benefits were recognized during the three and six month periods ended January 31, 2013 and 2012.

Stock option plans

The following table summarizes stock option activity during the six month period ended January 31, 2013:

	Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value (000s)
Outstanding at July 31, 2012	736,490	$ 14.50		
Awarded	336,817	$ 2.88		
Exercised	—	$ —		
Cancelled	(293,188)	$ 12.07		
Outstanding at end of period	780,119	$ 10.39	3.1 years	$ 3
Options vested at end of period	443,302	$ 16.10	1.4 years	$ —

On January 17, 2013, the Company awarded 336,817 options to directors and officers with an exercise price of $2.88 and a five year term, of which 247,672 options vest over two years and 89,145 vest over three years. The weighted average assumptions used to fair value this option award were as follows: expected life of 3.3 years, expected volatility 60.8%, risk free interest rate of 0.45% and no dividend yield. As of January 31, 2013, none of these options were vested.

As of January 31, 2013, the total future compensation cost related to non-vested options, not yet recognized in the statements of operations, was $0.4 million and the weighted average period over which the remaining expense of these awards is expected to be recognized is 2.2 years.

Restricted Stock Awards

A summary of the activity pursuant to the Company's restricted stock awards for the six months ended January 31, 2013 is as follows:

	Awards	Weighted Average Award Price
Unvested at July 31, 2012	257,583	$ 3.58
Awarded	32,000	$ 1.60
Vested	(97,137)	$ 2.89
Forfeited	(3,291)	$ 5.13
Unvested at end of period	189,155	$ 3.57

The fair value of a restricted stock award is determined based on the closing stock price on the award date. As of January 31, 2013, there was approximately $0.4 million of unrecognized compensation cost related to unvested restricted stock-based compensation to be recognized over a weighted average remaining period of approximately one year.

The total number of shares available for grant as equity awards from the 2011 Incentive Plan is approximately 2,320,000 shares as of January 31, 2013.

Note 4 - Inventories

Inventories consist of the following:

	January 31, 2013	July 31, 2012
Raw materials	$1,150	$1,283
Work in process	2,846	2,821
Finished products	5,304	4,696
	$9,300	$8,800

Note 5 – Goodwill and intangible assets

At January 31, 2013 and July 31, 2012, the Company's net carrying amount of goodwill, related to the Clinical Labs segment, is $7,452.

Intangible assets

The Company's change in the net carrying amount of intangible assets, all in the Life Sciences segment is as follows:

	Gross	Accumulated Amortization	Net
July 31, 2012	$27,904	$ (16,124)	$11,780
Amortization expense	—	(997)	(997)
Foreign currency translation	447	(256)	191
January 31, 2013	$28,351	$ (17,377)	$10,974

Intangible assets consist of the following:

	January 31, 2013			July 31, 2012		
	Gross	Accumulated Amortization	Net	Gross	Accumulated Amortization	Net
Patents	$11,027	$ (10,504)	$523	$11,027	$ (10,439)	$588
Customer relationships	12,543	(4,969)	7,574	12,304	(4,356)	7,948
Website and acquired content	1,032	(942)	90	1,019	(874)	145
Licensed technology and other	487	(351)	136	485	(300)	185
Trademarks	3,262	(611)	2,651	3,069	(155)	2,914
Total	$28,351	$ (17,377)	10,974	$27,904	$ (16,124)	$11,780

At January 31, 2013 information with respect to the intangibles acquired is as follows:

	Useful life assigned	**Weighted average remaining useful life**
Customer relationships	8-15 years	8 years
Trademarks	5 years	4.5 years
Other intangibles	4-10 years	2 years

At January 31, 2013, the weighted average useful lives of amortizable intangible assets were approximately seven years.

Note 6 – Accrued Liabilities and Other Current Liabilities

Accrued liabilities consist of the following as of:

	January 31, 2013	July 31, 2012
Legal	$2,756	$1,475
Payroll, benefits, and commissions	4,985	5,125
Professional fees	830	901
Research and development	732	696
Other	1,898	1,621
	$11,201	$9,818

Other current liabilities consist of the following as of:

	January 31, 2013	July 31, 2012
Capital lease obligations	$ 149	$—
Installment loans	132	118
	$ 281	$118

Note 7 – Other Liabilities

Other liabilities consist of the following as of:

	January 31, 2013	July 31, 2012
Capital lease obligations, net of short term	$ 608	$—
Installment loans, net of short term	157	128
	$ 765	$128

During the six months ended January 31, 2013, the Company entered into a five year capital lease arrangement for lab equipment aggregating $768 and into various installment loans for transportation equipment aggregating $115 for the Clinical Labs segment. Future minimum payments under the capital lease net of interest of $109 aggregates $757, including a short term debt portion of $149 included in other current liabilities. Future minimum payments over thirty six months under the installment loans aggregate $289, including a short term portion of $132 included in other current liabilities.

Note 8 - Income taxes

At the end of each interim reporting period, the Company estimates its effective income tax rate expected to be applicable for the full year. This estimate is used to determine the income tax provision or benefit on a year-to-date basis and may change in subsequent interim periods.

The Company's effective tax rate benefit (provision) for the three months ended January 31, 2013 was a benefit of 3.1% compared to a provision of (3.6%) during the three months ended January 31, 2012. The Company's effective tax rate benefit (provision) for the six months ended January 31, 2013 was a benefit of 2.5% compared to a provision of (3.7%) during the six months ended January 31, 2012. The tax benefit (provision) for the periods were based on state and local taxes and domestic and foreign tax for tax deductible intangibles. The Company's effective tax rate for both periods differed from the expected net operating loss carryforward benefit at the U.S. federal statutory rate of 34% primarily due to the inability to recognize such benefit. The carryforward benefit cannot be recognized because of uncertainties relating to future taxable income in terms of both its timing and its sufficiency, which would enable the Company to realize the federal carryforward benefit.

The Company files a consolidated Federal income tax return. The Company files combined returns with California, Michigan and New York State and City for certain subsidiaries. Other subsidiaries file separate state and foreign tax returns. With few exceptions, the periods that remain subject to examination are fiscal years ended July 31, 2009 through fiscal 2011.

Note 9 – Royalty and licensing income

The Company has a license agreement with QIAGEN Gaithersburg Inc. ("Qiagen") that began in 2005, whereby the Company earns quarterly running royalties on the net sales of Qiagen products subject to the license until the expiration of the patent on April 24, 2018. During the three months ended January 31, 2013 and 2012, the Company recorded royalty income under the Agreement of approximately $1.0 million and $1.3 million, respectively. During the six months ended January 31, 2013 and 2012, the Company recorded royalty income under the Agreement of approximately $3.0 million and $3.2 million, respectively which is included in the Life Sciences segment.

Note 10 – Segment reporting

The Company has three reportable segments: Clinical Labs, Life Sciences, and Therapeutics. The Clinical Labs segment provides diagnostic services to the health care community. The Company's Life Sciences segment develops, manufactures, and markets products to research and pharmaceutical customers. The Company's Therapeutic segment conducts research and development activities for therapeutic drug candidates. The Company evaluates segment performance based on segment income (loss) before taxes. Costs excluded from segment income (loss) before taxes and reported as “Other” consist of corporate general and administrative costs which are not allocable to the three reportable segments.

Management of the Company assesses assets on a consolidated basis only and, therefore, assets by reportable segment have not been included in the reportable segments below. The accounting policies of the reportable segments are the same as those described in the summary of significant accounting policies contained in the Company’s Annual Report on Form 10-K for the year ended July 31, 2012.

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The following financial information represents the operating results of the reportable segments of the Company:

Three months ended January 31, 2013

	Clinical Labs	Life Sciences	Therapeutics	Other	Consolidated
Revenues:					
Clinical laboratory services	$13,320	—	—	—	$ 13,320
Product revenues	—	$ 7,876	—	—	7,876
Royalty and license fee income	—	1,014	—	—	1,014
	13,320	8,890	—	—	22,210
Operating expenses:					
Cost of clinical laboratory services	9,425	—	—	—	9,425
Cost of product revenues	—	4,143	—	—	4,143
Research and development	86	570	$ 312	—	968
Selling, general and administrative	4,911	4,081	—	$1,900	10,892
Provision for uncollectible accounts receivable	1,213	122	—	—	1,335
Legal	51	31	—	1,359	1,441
Total operating expenses	15,686	8,947	312	3,259	28,204
Operating income (loss)	(2,366)	(57)	(312)	(3,259)	(5,994)
Other income (expense)					
Interest	(13)	5	—	1	(7)
Other	17	17	—	9	43
Foreign currency gain	—	104	—	—	104
Income (loss) before income taxes	$(2,362)	$ 69	$ (312)	$(3,249)	$ (5,854)
Depreciation and amortization included above	$355	$ 799	$ 7	$25	$ 1,186
Share-based compensation included in above:					
Cost of clinical laboratory services	$2	—	—	—	$ 2
Research and development	—	1	—	—	1
Selling, general and administrative	11	$ 6	—	$140	157
Total	$13	$ 7	—	$140	$ 160
Capital expenditures	$241	$ 87	$ —	$—	$ 328

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Three months ended January 31, 2012

	Clinical Labs	Life Sciences	Therapeutics	Other	Consolidated
Revenues:					
Clinical laboratory services	$14,123	—	—	—	$ 14,123
Product revenues	—	$9,542	—	—	9,542
Royalty and license fee income	—	1,308	—	—	1,308
	14,123	10,850	—	—	24,973
Operating expenses:					
Cost of clinical laboratory services	8,709	—	—	—	8,709
Cost of product revenues	—	4,685	—	—	4,685
Research and development	71	1,136	$ 496	—	1,703
Selling, general and administrative	5,190	4,227	—	$2,070	11,487
Provision for uncollectible accounts receivable	1,146	23	—	—	1,169
Legal	69	118	—	836	1,023
Total operating expenses	15,185	10,189	496	2,906	28,776
Operating income (loss)	(1,062)	661	(496)	(2,906)	(3,803)
Other income (expense)					
Interest	(1)	15	—	—	14
Other	17	45	—	3	65
Foreign currency (loss)	—	(352)	—	—	(352)
Income (loss) before income taxes	$(1,046)	$369	$ (496)	$(2,903)	$ (4,076)
Depreciation and amortization included above	$269	$734	$ 11	$31	$ 1,045
Share-based compensation included in above:					
Cost of clinical laboratory services	$3	—	—	—	$ 3
Research and development	—	$1	—	—	1
Selling, general and administrative	11	20	—	$182	213
Total	$14	$21	—	$182	$ 217