TRANSGENOMIC INC
Form 10-Q
May 09, 2013
Table of Contents

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, 2013
Or	
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: 000-30975

TRANSGENOMIC, INC.
(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	911789357 (I.R.S. Employer Identification No.)
12325 Emmet Street, Omaha, Nebraska (Address of principal executive offices)	68164 (Zip Code)

(402) 452-5400
(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 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 (§232.405 of this chapter) during the preceding 12 months (or for 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, 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	x
Non-accelerated filer	o (Do not check if a smaller reporting company)	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 o No x

As of May 8, 2013, the number of shares of common stock outstanding was 88,245,725.

Table of Contents

TRANSGENOMIC, INC.
INDEX

Table of Contents

PART I. FINANCIAL INFORMATION
Item 1. Financial Statements
TRANSGENOMIC, INC. AND SUBSIDIARY
CONDENSED CONSOLIDATED BALANCE SHEETS
(Dollars in thousands except per share data)

	March 31, 2013 (unaudited)	December 31, 2012
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$7,729	$4,497
Accounts receivable, net	7,897	8,081
Inventories, net	4,783	5,092
Other current assets	1,185	1,047
Total current assets	21,594	18,717
PROPERTY AND EQUIPMENT:		
Equipment	10,723	10,682
Furniture, fixtures & leasehold improvements	3,861	3,848
	14,584	14,530
Less: accumulated depreciation	(12,513)	(12,340)
	2,071	2,190
OTHER ASSETS:		
Goodwill	6,918	6,918
Intangibles, net	10,362	10,764
Other assets	453	202
	$41,398	$38,791
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$1,516	$2,052
Accrued compensation	1,125	1,121
Current maturities of long term debt	364	6,171
Accrued expenses	2,826	3,686
Deferred revenue	1,155	1,171
Other liabilities	1,067	1,067
Accrued preferred stock dividend	1,441	1,260
Total current liabilities	9,494	16,528
LONG TERM LIABILITIES:		
Long term debt less current maturities	6,069	—
Common stock warrant liability	500	900
Other long-term liabilities	1,266	1,089
Total liabilities	17,329	18,517
STOCKHOLDERS' EQUITY:		
Series A preferred stock, $.01 par value, 15,000,000 shares authorized, 2,586,205 shares issued and outstanding	26	26
Common stock, $.01 par value, 150,000,000 shares authorized, 88,245,725 and 71,645,725 shares issued and outstanding, respectively	887	721
Additional paid-in capital	178,450	170,881
Accumulated other comprehensive income	262	435
Accumulated deficit	(155,556)	(151,789)

Total stockholders' equity	24,069	20,274
	$41,398	$38,791

See notes to unaudited condensed consolidated financial statements.

Table of Contents

TRANSGENOMIC, INC. AND SUBSIDIARY
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Dollars in thousands except per share data)

	Three Months Ended March 31,	
	2013	2012
NET SALES	$7,374	$7,206
COST OF GOODS SOLD	3,693	4,102
Gross profit	3,681	3,104
OPERATING EXPENSES:		
Selling, general and administrative	6,737	4,994
Research and development	764	549
	7,501	5,543
LOSS FROM OPERATIONS	(3,820)	(2,439)
OTHER INCOME (EXPENSE):		
Interest expense, net	(153)	(273)
Change in fair value of warrants	400	—
Other, net	53	20
	300	(253)
LOSS BEFORE INCOME TAXES	(3,520)	(2,692)
INCOME TAX EXPENSE	66	4
NET LOSS	$(3,586)	$(2,696)
PREFERRED STOCK DIVIDENDS AND ACCRETION	(181)	(165)
NET LOSS AVAILABLE TO COMMON STOCKHOLDERS	$(3,767)	$(2,861)
BASIC AND DILUTED LOSS PER COMMON SHARE	$(0.04)	$(0.05)
BASIC AND DILUTED WEIGHTED AVERAGE SHARES OF COMMON STOCK OUTSTANDING	84,003,503	62,683,527

See notes to unaudited condensed consolidated financial statements.

Table of Contents

TRANSGENOMIC, INC. AND SUBSIDIARY
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(Dollars in thousands)

	Three Months Ended March 31,	
	2013	2012
Net Loss	$(3,586)	$(2,696)
Other Comprehensive Income (Loss); foreign currency translation adjustment, net of tax	(173)	61
Comprehensive Loss	$(3,759)	$(2,635)

See notes to unaudited condensed consolidated financial statements.

Table of Contents

TRANSGENOMIC, INC. AND SUBSIDIARY
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
Three Months Ended March 31, 2013
(Dollars in thousands except per share data)

	Preferred Stock		Common Stock					
	Outstanding Shares	Par Value	Outstanding Shares	Par Value	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Total
Balance, January 1, 2013	2,586,205	$26	71,645,725	$721	$170,881	$ (151,789)	$ 435	$20,274
Net loss			—	—	—	(3,586)	—	(3,586)
Foreign currency translation adjustment, net of tax	—	—	—	—	—	—	(173)	(173)
Non-cash stock-based compensation	—	—	—	—	164	—	—	164
Private Placement, net	—	—	16,600,000	166	7,405	—	—	7,571
Dividends on preferred stock	—	—	—	—	—	(181)	—	(181)
Balance, March 31, 2013	2,586,205	$26	88,245,725	$887	$178,450	$ (155,556)	$ 262	$24,069

See notes to unaudited condensed consolidated financial statements.

Table of Contents

TRANSGENOMIC, INC. AND SUBSIDIARY
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in thousands)

	Three Months Ended March 31, 2013	2012
CASH FLOWS USED IN OPERATING ACTIVITIES:		
Net loss	$(3,586)	$(2,696)
Adjustments to reconcile net loss to net cash flows used in operating activities:		
Depreciation and amortization	744	513
Non-cash, stock based compensation	164	273
Provision for losses on doubtful accounts	1,581	474
Provision for losses on inventory obsolescence	—	1
Warrant revaluation	(400)	—
Loss on sale of fixed assets	9	—
Gain on foreign currency settlement	(62)	—
Changes in operating assets and liabilities:		
Accounts receivable	(1,474)	448
Inventories	212	(128)
Other current assets	(157)	(204)
Accounts payable	(720)	(1,057)
Accrued expenses	356	(292)
Other long term liabilities	(1)	(97)
Long term deferred income taxes	—	5
Net cash flows used in operating activities	(3,334)	(2,760)
CASH FLOWS USED IN INVESTING ACTIVITIES:		
Purchases of property and equipment	(87)	(198)
Acquisition	(849)	—
Change in other assets	(127)	(67)
Net cash flows used in investing activities	(1,063)	(265)
CASH FLOWS PROVIDED BY USED IN FINANCING ACTIVITIES:		
Principal payments on capital lease obligations	(104)	(52)
Issuance of common stock and warrants, net	7,570	17,483
Payment of deferred financing costs	(60)	—
Proceeds from borrowings	6,433	—
Principal payment on note payable	(6,171)	(82)
Net cash flows provided by financing activities	7,668	17,349
EFFECT OF FOREIGN CURRENCY EXCHANGE RATE CHANGES ON CASH	(39)	21
NET CHANGE IN CASH AND CASH EQUIVALENTS	3,232	14,345
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	4,497	4,946
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$7,729	$19,291
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid during the period for:		
Interest	$262	$495
Income taxes, net	—	2
SUPPLEMENTAL DISCLOSURE OF NON-CASH INFORMATION		
Acquisition of equipment through capital leases	$—	$12
Dividends accrued on preferred stock	181	165
Note Payable converted to Equity	—	3,000

Deferred financing costs in accounts payable	197	—

See notes to unaudited condensed consolidated financial statements.

TRANSGENOMIC, INC. AND SUBSIDIARY
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
Three Months Ended March 31, 2013 and 2012

1. BUSINESS DESCRIPTION

Business Description.

Transgenomic, Inc. is a global biotechnology company advancing personalized medicine in the detection and treatment of cancer and inherited diseases through its proprietary molecular technologies and clinical and research services. We have two complementary business segments:

- Laboratory Services. Our clinical laboratories specialize in genetic testing for cardiology, neurology, mitochondrial disorders and oncology. Our clinical laboratories located in New Haven, Connecticut and Omaha, Nebraska are certified under the Clinical Laboratory Improvement Amendment (CLIA) as high complexity labs and our Omaha facility is also accredited by the College of American Pathologists (CAP). Our laboratory located in Omaha, Nebraska also provides pharmacogenomics research services supporting Phase II and Phase III clinical trials conducted by pharmaceutical companies. Our laboratories employ a variety of genomic testing service technologies, including ICE COLD-PCR technology. ICE COLD-PCR is a proprietary platform technology that can be run in any laboratory with standard PCR technology and that enables detection of mutations from virtually any sample type including tissue biopsies, blood and circulating tumor cells (CTCs) at levels greater than 1,000-fold higher than standard DNA sequencing techniques.
- Diagnostic Tools. Our proprietary product is the WAVE® System, which has broad applicability to genetic variation detection in both molecular genetic research and molecular diagnostics. We also distribute bioinstruments produced by other manufacturers (“OEM Equipment”) through our sales and distribution network. Service contracts to maintain installed systems are sold and supported by our technical support personnel. The installed WAVE base and some OEM Equipment platforms generate a demand for consumables that are required for the continued operation of the bioinstruments. We develop, manufacture and sell these consumable products. In addition, we manufacture and sell consumable products that can be used on multiple, independent platforms. These products include SURVEYOR® Nuclease and a range of chromatography columns.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation.

The condensed consolidated balance sheet as of December 31, 2012 was derived from our audited balance sheet as of that date. The accompanying condensed consolidated financial statements as of and for the three months ended March 31, 2013 and 2012 are unaudited and reflect all adjustments that are, in the opinion of management, necessary for a fair presentation of the financial position and operating results for the interim periods. These unaudited condensed consolidated financial statements and notes should be read in conjunction with the audited consolidated financial statements and notes thereto for the year ended December 31, 2012 contained in our Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 14, 2013. The results of operations for the interim periods presented are not necessarily indicative of the results for the entire year.

Principles of Consolidation.

The consolidated financial statements include the accounts of Transgenomic, Inc. and its wholly owned subsidiary. All inter-company balances and transactions have been eliminated in consolidation.

Risks and Uncertainties.

Certain risks and uncertainties are inherent in our day-to-day operations and to the process of preparing our financial statements. The more significant of those risks are presented below and throughout the notes to the unaudited condensed consolidated financial statements.

Use of Estimates.

The preparation of condensed consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of net sales and expenses during the reporting period. In addition, estimates and assumptions associated with the determination of the fair value of certain assets and related impairments require considerable judgment by management. Actual results could differ from the estimates and assumptions used in preparing these consolidated financial statements.

Reclassifications.

Certain prior year amounts have been reclassified in order to conform to the current year presentation regarding segment reporting.

Fair Value.

Unless otherwise specified, book value approximates fair market value. The common stock warrant liability is recorded at fair value. See Note 9 - "Fair Value".

Cash and Cash Equivalents.

Cash and cash equivalents include cash and investments with original maturities at the date of acquisition of three months or less.

Concentrations of Cash.

From time to time, we may maintain a cash position with financial institutions in amounts that exceed federally insured limits. We have not experienced any losses on such accounts as of March 31, 2013.

Accounts Receivable.

The following is a summary of activity for the allowance for doubtful accounts during the three months ended March 31, 2013 and 2012:

	Dollars in Thousands			
	Beginning Balance	Provision	Write Offs	Ending Balance
Three Months Ended March 31, 2013	$2,171	$1,581	$(1,203)	$2,549
Three Months Ended March 31, 2012	$1,088	$474	$(483)	$1,079

While payment terms are generally 30 days, we have also provided extended payment terms in certain cases. In addition, we operate globally and the payment terms for some of our international customers may be greater than 90 days. Accounts receivable are carried at original invoice amount and shown net of allowance for doubtful accounts and contractual allowances. The estimate made for doubtful accounts is based on a review of all outstanding amounts on a quarterly basis. We determine the allowance for doubtful accounts and contractual allowances by regularly evaluating individual customer receivables and considering a customer’s financial condition, credit history and current economic conditions. Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded when received.

Inventories.

Inventories are stated at the lower of cost or market net of allowance for obsolete inventory. Cost is computed using standard costs for finished goods and average or latest actual cost for raw materials and work in process, which approximates the first-in, first-out (FIFO) method.

Table of Contents
TRANSGENOMIC, INC. AND SUBSIDIARY
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
Three Months Ended March 31, 2013 and 2012

The following is a summary of activity for the allowance for obsolete inventory during the three months ended March 31, 2013 and 2012:

	Dollars in Thousands			
	Beginning Balance	Provision	Write Offs	Ending Balance
Three Months Ended March 31, 2013	$616	$—	$(5)	$611
Three Months Ended March 31, 2012	$511	$1	$(3)	$509

We determine the allowance for obsolescence by evaluating inventory quarterly for items deemed to be slow moving or obsolete.

Property and Equipment.

Property and equipment are carried at cost less accumulated depreciation. Depreciation is computed by the straight-line method over the estimated useful lives of the related assets as follows:

Leasehold improvements	1 to 10 years
Furniture and fixtures	3 to 7 years
Production equipment	3 to 7 years
Computer equipment	3 to 7 years
Research and development equipment	2 to 7 years

Depreciation expense related to property and equipment was $0.2 million and $0.2 million during the three months ended March 31, 2013 and 2012, respectively. Included in depreciation for the three months ended March 31, 2013 and 2012 was $0.1 million and less than $0.1 million, respectively, related to equipment acquired under capital leases.

Goodwill.

Goodwill is the excess of the purchase price over fair value of assets acquired and is not amortized. Goodwill is tested for impairment annually. We perform this impairment analysis during the fourth quarter of each year or when a significant event occurs that may impact goodwill. Impairment occurs when the carrying value is determined to be not recoverable thereby causing the carrying value of the goodwill to exceed its fair value. If impaired, the asset's carrying value is reduced to its fair value. No events have transpired in the three months ended March 31, 2013 that would require an impairment analysis prior to our scheduled review.

Stock Based Compensation.

All stock options awarded to date have exercise prices equal to the market price of our common stock on the date of grant and have ten-year contractual terms. Unvested options as of March 31, 2013 had vesting periods of one or three years from the date of grant. None of the stock options outstanding at March 31, 2013 are subject to performance or market-based vesting conditions.

We measure and recognize compensation expense for all stock-based awards made to employees and directors, including stock options. Compensation expense is based on the calculated fair value of the awards as measured at the grant date and is expensed ratably over the service period of the awards (generally the vesting period).

During the three months ended March 31, 2013, we recorded compensation expense of $0.2 million within selling, general and administrative expense. As of March 31, 2013, there was $0.5 million of unrecognized compensation expense related to unvested stock options, which is expected to be recognized over a weighted-average period of nearly three years.

We granted 307,500 stock options during the quarter ended March 31, 2013. The fair value of the options granted was estimated on the grant date using the Black-Scholes option pricing model. The Black-Scholes model with the following assumptions was used to estimate the fair value of the options: risk-free interest rates of 0.8% based on the U.S. Treasury yield in effect at the time of grant; dividend yields of zero percent; expected lives of 4.55 years, based on expected exercise activity behavior; and volatility of 105.77% based on the historical volatility of our common stock over a time that is consistent with the expected life of the option. Forfeitures of 4.07% were also assumed.

Table of Contents

During the three months ended March 31, 2012, we recorded compensation expense of $0.3 million within selling, general and administrative expense. As of March 31, 2012, there was $0.8 million of unrecognized compensation expense related to unvested stock options, which is expected to be recognized over a weighted-average period of nearly three years.

We granted 100,000 stock options during the quarter ended March 31, 2012. The fair value of the options granted was estimated on the grant date using the Black-Scholes option pricing model. The Black-Scholes model with the following assumptions was used to estimate the fair value of the options: risk-free interest rates of 0.8% based on the U.S. Treasury yield in effect at the time of grant; dividend yields of zero percent; expected lives of eight years, based on expected exercise activity behavior; and volatility of 109% based on the historical volatility of our common stock over a time that is consistent with the expected life of the option. Forfeitures of 1.64% were also assumed.

Net Sales Recognition.

Revenue is realized and earned when all of the following criteria are met:

- Persuasive evidence of an arrangement exists,
- Delivery has occurred or services have been rendered,
- The seller’s price to the buyer is fixed or determinable, and
- Collectability is reasonably assured.

Net sales from our Laboratory Services segment are recognized on samples collected from patients of health care providers and individuals who take part in clinical trials. Revenue is recognized from patients of health care providers on an individual test basis and occurs when the test report is completed, reviewed and sent to the client. Sales are recorded at our list price less a provision for insurance and Medicare and Medicaid contractual adjustments. There are no deferred net sales associated with these tests. Adjustments to the allowances, based on actual receipts from third party payers, are recorded upon settlement. For clinical trials we perform services on a project by project basis and recognize revenue when services are delivered. These projects typically do not extend beyond one year. At March 31, 2013 and December 31, 2012, deferred revenue associated with clinical trials for which we have received payment in advance of performing services was $0.1 million and $0.2 million, respectively, and was included in the balance sheet in deferred revenue.

Net sales of products in our Diagnostic Tools segment are recognized in accordance with the terms of the sales arrangement. Such recognition is based on receipt of an unconditional customer order and transfer of title and risk of ownership to the customer, typically upon shipment of the product under a purchase order. Our sales terms do not provide for the right of return unless the product is damaged or defective. Net sales from certain services associated with the analytical instruments, to be performed subsequent to shipment of the products, is deferred and recognized when the services are provided. Such services, mainly limited to installation and training services that are not essential to the functionality of the instruments, typically are performed in a timely manner subsequent to shipment of the instrument. We also enter into various service contracts that cover installed instruments. These contracts, for which payment is received at the time of execution, cover specific time periods and net sales associated with these contracts are deferred and recognized ratably over the service period. At March 31, 2013 and December 31, 2012, deferred net revenue associated with our service contracts was $1.1 million and $1.0 million, respectively, and is included in the balance sheet in deferred revenue.

Taxes collected from customers and remitted to government agencies for specific sales transactions are recorded net any sales tax collected with no effect on the income statement.

Common Stock Warrants.

Our issued and outstanding warrants to purchase common stock do not qualify to be treated as equity and, accordingly, are recorded as a liability ("Common Stock Warrant Liability"). The Common Stock Warrant Liability was initially recorded at fair value using a Monte Carlo simulation model. We are required to present these

instruments at fair value at each reporting date and any changes in fair values are recorded as an adjustment to earnings. The Common Stock Warrant Liability is considered a Level Three financial instrument for purposes of fair value measurement. See Note 9 - "Fair Value".
Translation of Foreign Currency.
Our foreign subsidiary uses the local currency of the country in which it is located as its functional currency. Its assets and liabilities are translated into U.S. dollars at the exchange rates in effect at the balance sheet date. A cumulative translation loss of $0.2 million is reported as other comprehensive income on the accompanying unaudited condensed consolidated statement of comprehensive loss for the three months March 31, 2013. A cumulative translation gain of $0.1 million was reported as accumulated

other comprehensive income for the three months ended March 31, 2012. Revenues and expenses are translated at the average rates during the period. For transactions that are not denominated in the functional currency, we recognized less than $0.1 million as foreign currency transaction income in the determination of net loss for the three months ending March 31, 2013 and less than $0.1 million as foreign currency transaction loss in the determination of net loss for the three months ending March 31, 2012.

Loss Per Share.

Basic loss per share is calculated based on the weighted-average number of common shares outstanding during each period. Diluted loss per share includes shares issuable upon exercise of outstanding stock options, warrants or conversion rights that have exercise or conversion prices below the market value of our common stock. Options, warrants and conversion rights pertaining to 34,668,398 and 28,741,938 shares of our common stock have been excluded from the computation of diluted loss per share at March 31, 2013 and 2012, respectively. The options, warrants and conversion rights that were exercisable in 2013 and 2012 were not included because the effect would be anti-dilutive due to the net loss.

Recent accounting pronouncements.

In February 2013, the Financial Accounting Standards Board (“FASB”) issued ASU 2013-2, Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income , that required the presentation of significant amounts reclassified out of accumulated other comprehensive income by the respective line items of net income but only if the amount reclassified is required under GAAP to be reclassified to net income in its entirety in the same reporting period. For other amounts that are not required under GAAP to be reclassified in their entirety to net income, cross-reference to other disclosures that provide additional detail about these amounts is required. ASU 2013-02 is effective for fiscal years beginning after December 15, 2012. The adoption of this new guidance had no impact on our consolidated financial position, results of operations or cash flows.

In March 2013, the FASB released Accounting Standards Update No. 2013-05 ("ASU 2013-05"), Foreign Currency Matters (Topic 830): Parent's Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity (a consensus of the FASB Emerging Issues Task Force). ASU 2013-05 requires that when a reporting entity (parent) ceases to have a controlling financial interest in a subsidiary or group of assets that is a nonprofit activity or a business within a foreign entity, the parent is required to release any related cumulative translation adjustment into net income. The provisions of ASU 2013-05 are effective for fiscal years, and interim periods within those years, beginning after December 15, 2013. When adopted, ASU 2013-05 is not expected to materially impact our condensed consolidated financial statements.

3. INVENTORIES

Inventories (net of allowance for obsolescence) consisted of the following:

	Dollars in Thousands	
	March 31, 2013	December 31, 2012
Finished goods	$3,725	$4,057
Raw materials and work in process	1,542	1,547
Demonstration inventory	127	104
	$5,394	$5,708
Less allowance for obsolescence	(611)	(616)
Total	$4,783	$5,092

12

Table of Contents

TRANSGENOMIC, INC. AND SUBSIDIARY
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
Three Months Ended March 31, 2013 and 2012

4. INTANGIBLES AND OTHER ASSETS

Long-lived intangible assets and other assets consisted of the following:

	Dollars in Thousands					
	March 31, 2013			December 31, 2012		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Intangibles—acquired technology	$9,009	$2,226	$6,783	$9,009	$1,910	$7,099
Intangibles—assay royalties	1,434	461	973	1,434	410	1,024
Intangibles—third party payor relationships	367	55	312	367	49	318
Intangibles—tradenames and trademarks	824	145	679	824	115	709
Intangibles—customer relationships	652	22	630	652	11	641
Intangibles—covenants not to compete	184	31	153			