Cardium Therapeutics, Inc.
Form 10-Q
August 09, 2010
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT

pursuant to Section 13 or 15(d)

of the Securities Exchange Act of 1934

FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2010

001-33635

(Commission file number)

CARDIUM THERAPEUTICS, INC.

(Exact name of registrant as specified in its charter)

Delaware **(State of incorporation)**	**27-0075787** **(IRS Employer Identification No.)**
12255 El Camino Real, Suite 250	
San Diego, California 92130 **(Address of principal executive offices)**	**(858) 436-1000** **(Registrant s telephone number)**

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.

x Yes ¨ No

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 ¨ No ¨

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

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

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

¨ Yes x No

As of August 6, 2010 77,852,154 shares of the registrant s common stock were outstanding.

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Unless the context requires otherwise, all references in this report to the Company, Cardium, we, our, and us refer to Cardium Therapeutics, and, as applicable, Post-Hypothermia Corporation (formerly, InnerCool Therapies, Inc.) and Tissue Repair Company, each a wholly-owned subsidiary of Cardium.

Special Note about Forward-Looking Statements

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

- future financial and operating results;
- our ability to fund operations and business plans, and the timing of any funding or corporate development transactions we may pursue;
- the timing, conduct and outcome of discussions with regulatory agencies, regulatory submissions and clinical trials, including the timing for completion of enrollment in clinical studies;
- our beliefs and opinions about the safety and efficacy of our products and product candidates and the results of our clinical studies and trials;
- our ability to enter into acceptable relationships with one or more contract manufacturers or other service providers on which we may depend and the ability of such contract manufacturers or other service providers to manufacture biologics, devices or key product components, or to provide other services, of an acceptable quality on a cost-effective basis;
- our ability to enter into acceptable relationships with one or more development or commercialization partners to advance the commercialization of new products and product candidates and the timing of any product launches;
- our growth, expansion and acquisition strategies, the success of such strategies, and the benefits we believe can be derived from such strategies;
- our intellectual property rights and those of others, including actual or potential competitors;
- the outcome of litigation matters;

our personnel, consultants and collaborators;

operations outside the United States;

current and future economic and political conditions;

overall industry and market performance;

the impact of accounting pronouncements;

management's goals and plans for future operations; and

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

The forward-looking statements in this report speak only as of the date of this report and caution should be taken not to place undue reliance on any such forward-looking statements. Forward-looking statements are subject to certain events, risks, and uncertainties that may be outside of our control. When considering forward-looking statements, you should carefully review the risks, uncertainties and other cautionary statements in this report as they identify certain important factors that could cause actual results to differ materially from those expressed in or implied by the forward-looking statements. These factors include, among others, the risks described under Item 1A of Part II and elsewhere in this report, as well as in other reports and documents we file with the United States Securities and Exchange Commission (SEC).

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PART I FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

CARDIUM THERAPEUTICS, INC. AND SUBSIDIARIES

(a development stage company)

CONDENSED CONSOLIDATED BALANCE SHEETS

	June 30, 2010 (Unaudited)	December 31, 2009 (Audited)
Assets		
Current assets:		
Cash and cash equivalents	$ 9,925,704	$ 3,363,665
Restricted cash	1,225,000	562,500
Accounts receivable		115,138
Prepaid expenses and other current assets	104,438	40,384
Total current assets	11,255,142	4,081,687
Restricted cash	200,000	862,500
Property and equipment, net	299,747	351,539
Deposits and other long term assets	179,938	179,938
Total assets	$ 11,934,827	$ 5,475,664
Liabilities and Stockholders' Equity (deficiency)		
Current liabilities:		
Accounts payable	$ 1,006,508	$ 2,300,786
Accrued liabilities	909,115	336,457
Derivative liabilities fair value of warrants	2,258,987	4,802,882
Current liabilities	4,174,610	7,440,125
Deferred rent	179,965	190,114
Total liabilities	4,354,575	7,630,239
Commitments and contingencies		
Stockholders' equity (deficiency):		
Common stock, $0.0001 par value; 200,000,000 shares authorized; issued and outstanding 77,852,154 at June 30, 2010 and 55,182,174 at December 31, 2009	7,785	5,518
Additional paid-in capital	85,528,239	74,065,539
Deficit accumulated during development stage	(77,955,772)	(76,225,632)
Total stockholders' equity (deficiency)	7,580,252	(2,154,575)
Total liabilities and stockholders' equity (deficiency)	$ 11,934,827	$ 5,475,664

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

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CARDIUM THERAPEUTICS, INC.

(a development stage company)

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,		Period from December 22, 2003 (Inception) to
					June 30,
	2010	2009	2010	2009	2010
Revenues					
Grant revenues	$	$ 6,996	$	$ 25,632	$ 1,378,681
Operating expenses					
Research and development	613,199	1,107,147	1,133,161	2,351,307	37,611,471
General and administrative	1,358,870	1,222,417	2,319,495	2,510,141	30,231,044
Total operating expenses	1,972,069	2,329,564	3,452,656	4,861,448	67,842,515
Loss from operations	(1,972,069)	(2,322,568)	(3,452,656)	(4,835,816)	(66,463,834)
Change in fair value of derivative liabilities	1,269,610	(4,817,552)	1,706,980	(14,474,181)	10,226,477
Interest income	12,878	1,982	17,710	6,773	1,549,877
Interest (expense)	(743)	(2,972,025)	(2,174)	(4,550,115)	(7,115,675)
Net loss from continuing operations	$ (690,324)	$ (10,110,163)	$ (1,730,140)	$ (23,853,339)	$ (61,803,155)
Net loss from discontinued operations		$ (1,032,511)		$ (2,026,212)	$ (22,561,220)
Gain on sale of business unit					6,408,603
Net loss	$ (690,324)	$ (11,142,674)	$ (1,730,140)	$ (25,879,551)	$ (77,955,772)
Basic and diluted net loss per common share					
Net loss from continuing operations	$ (0.01)	$ (0.22)	$ (0.03)	$ (0.51)	
Net loss from discontinued operations	$ (0.00)	$ (0.02)	$ (0.00)	$ (0.04)	
Net loss	$ (0.01)	$ (0.24)	$ (0.03)	$ (0.55)	
Weighted average common shares outstanding basic and diluted	77,852,154	46,931,134	68,959,510	46,930,788	

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

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CARDIUM THERAPEUTICS, INC. AND SUBSIDIARIES

(a development stage company)

CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIENCY)

(Unaudited)

	Common Stock		Additional	Deficit Accumulated During	Total
	Shares	Amount	Paid-In Capital	Development Stage	Stockholders' Equity (Deficiency)
Balance January 1, 2010	55,182,174	$ 5,518	$ 74,065,539	$ (76,225,632)	$ (2,154,575)
Stock option compensation expense			234,792		234,792
Reclassification of derivative liabilities that no longer contain price protection provisions			836,915		836,915
Sale of common stock, net of issuance costs	22,669,980	2,267	10,390,993		10,393,260
Net Loss				(1,730,140)	(1,730,140)
Balance June 30, 2010	77,852,154	$ 7,785	$ 85,528,239	$ (77,955,772)	$ 7,580,252

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

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CARDIUM THERAPEUTICS, INC. AND SUBSIDIARIES

(a development stage company)

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	For The Six Months Ended June 30, 2010	For The Six Months Ended June 30, 2009	December 22, 2003 (Inception) To June 30, 2010
Cash Flows From Operating Activities			
Net loss	$ (1,730,140)	$ (25,879,551)	$ (77,955,772)
Adjustments to reconcile net loss to net cash used in operating activities:			
Gain on sale of discontinued operation			(6,408,603)
Loss on abandonment of leaseholds			135,344
Depreciation	82,255	356,967	1,812,786
Amortization intangibles		394,828	2,696,193
Amortization debt discount		3,257,859	5,291,019
Amortization deferred financing costs		559,541	925,859
Provision for obsolete inventory			200,000
Change in fair value of warrants	(1,706,980)	14,474,181	(10,226,477)
Common stock and warrants issued for services and reimbursement of expenses			203,882
Stock based compensation expense	234,792	370,621	7,091,370
In-process purchased technology			2,027,529
Changes in operating assets and liabilities, excluding effects of acquisition:			
Accounts receivable	115,138	126,120	78,988
Inventories		239,836	(1,806,159)
Prepaid expenses and other assets	(64,054)	(22,806)	(217,028)
Deposits		(47,500)	(193,380)
Accounts payable	(1,294,278)	525,671	2,143,230
Accrued liabilities	572,658	1,448,317	225,997
Deferred rent	(10,149)	(84)	179,965
Net cash used in operating activities	(3,800,758)	(4,196,000)	(73,795,257)
Cash Flows From Investing Activities			
In-process technology purchased from Tissue Repair Company			(1,500,000)
Purchases of property and equipment	(30,463)		(2,790,198)
Net cash used in investing activities	(30,463)		(4,290,198)
Cash Flows From Financing Activities			
Proceeds from officer loan			62,882
Cash acquired in Aries merger and InnerCool acquisition			1,551,800
Restricted cash collateral for letter of credit			(300,000)
Restricted cash proceeds placed in escrow from sale of discontinued operation			(1,125,000)
Proceeds from the exercise of warrants, net		(4)	1,258,448
Proceeds from debt financing agreement, net of deferred financing costs of $871,833		3,966,194	14,378,167
Proceeds from the sale of business unit			11,250,000
Repayment of debt		(100,000)	(15,750,000)
Proceeds from the sale of common stock, net of issuance cost	10,393,260		76,684,862
Net cash provided by financing activities	10,393,260	3,866,190	88,011,159

Net increase in cash	6,562,039	(329,810)	9,925,704
Cash and cash equivalents at beginning of period	3,363,665	1,102,894	
Cash and cash equivalents at end of period	$ 9,925,704	$ 773,084	$ 9,925,704
Supplemental Disclosures of Cash Flow Information:			
Cash paid for interest	$ 2,170	$ 359,285	$ 1,382,470
Cash paid for income taxes	$ 2,400	$	$ 24,562
Non-Cash Activity:			
Subscription receivable for common shares	$	$	$ 17,000
Common stock issued for repayment of loans	$	$	$ 62,882
Common stock and warrants issued for services and reimbursement of expenses	$	$	$ 203,882
Net assets acquired for the issuance of common stock (exclusive of cash acquired)	$	$	$ 5,824,000
Warrants issued with debt	$	$ 1,363,380	$ 15,861,172
Reclassification of derivative liabilities with expired price protection provisions	$ (836,915)	$ (315,680)	$ (3,375,708)
Issuance of note for accrued milestone payment	$	$	$ 500,000

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

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CARDIUM THERAPEUTICS, INC. AND SUBSIDIARIES

(a development stage company)

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Note 1. Organization and Liquidity

Organization

Cardium Therapeutics, Inc. (the Company, Cardium, we, our and us) was incorporated in Delaware in December 2003. Our business is focu on the acquisition and strategic development of product opportunities or businesses having the potential to address significant unmet medical needs, and definable pathways to commercialization, partnering or other monetization following the achievement of corresponding development objectives. In October 2005, we acquired a portfolio of biologic growth factors and related delivery techniques from the Schering AG Group (now part of Bayer AG) for potential use in treating ischemic and other cardiovascular conditions. In March 2006, we acquired the technologies and products of InnerCool Therapies, Inc., a medical technology company in the emerging field of therapeutic hypothermia, or patient temperature modulation, whose systems and products are designed to rapidly and controllably cool the body to reduce cell death and damage following acute ischemic events such as cardiac arrest and stroke, and to potentially lessen or prevent associated injuries such as adverse neurologic outcomes. In August 2006, we acquired rights to assets and technologies of Tissue Repair Company, a company focused on the development of growth factor therapeutics for the potential treatment of tissue wounds such as chronic diabetic wounds, and whose product candidate, Excellarate™ is initially being developed as a single administration for the treatment of non-healing, neuropathic diabetic foot ulcers. InnerCool Therapies and Tissue Repair Company are each operated as a wholly-owned subsidiary of Cardium.

On July 24, 2009, we closed a transaction for the sale of all of the assets and liabilities of our InnerCool Therapies business to Philips Electronics North America Corporation (Philips) for $11.25 million, of which $1,125,000 is held in escrow as security for certain indemnification obligations, as well as the transfer of approximately $1.5 million in trade payables (the Philips Transaction). The operations of InnerCool are presented as a discontinued operation in our condensed consolidated statements of operations. After the closing, the name of InnerCool Therapies, Inc. was changed to Post-Hypothermia Corporation.

We are a development stage company. We have yet to generate positive cash flows from operations, and are essentially dependent on debt and equity funding to finance our operations.

Liquidity and Going Concern

As of June 30, 2010 we had $9,925,704 in cash and cash equivalents and $1,425,000 in restricted cash. Our working capital at June 30, 2010 was $9,339,519 (excluding $2,258,987 for the fair value of derivative liabilities).

Net cash used in operating activities was $3,800,758 for the six months ended June 30, 2010 compared to $4,196,000 for the same period last year. The decrease in net cash used in operating activities for the six months ended June 30, 2010 when compared to the same period last year was a result of the decrease in company wide spending, the sale of all the assets of our InnerCool business in July 2009 and the completion of the MATRIX clinical study during the fourth quarter of 2009.

Our primary source of liquidity has been cash flows from financing activities and in particular proceeds from the sales of our debt and equity securities. On March 12, 2010, we completed a registered direct offering of 2,266,998 units, which were sold to institutional and retail investors, at a price of $5.00 per unit. Each unit consisted of 10 shares of common stock and a warrant to purchase 5 shares of common stock. The warrants are exercisable at an exercise price of $0.64 per share, at any time after six months from the date of closing and have a term of exercise equal to five years from the date the warrants are initially exercisable. In the aggregate 22,669,980 shares of common stock and warrants to purchase an additional 11,334,990 shares of common stock were issued in the offering. The offering resulted in gross proceeds to us of $11.3 million, and net proceeds of approximately $10.4 million after payment of offering fees and expenses.

Since inception, our operations have consumed substantial amounts of cash and we have had only limited revenues. From inception (December 22, 2003) to June 30, 2010, net cash used in operating activities has been $73,795,257, net cash provided by financing activities was $88,011,159, and net cash used in investing activities has been $4,290,198.

Our primary source of capital has been the cash that we generated from the sale of debt or equity securities. We do not currently have any line of credit or other sources of capital available to us.

We have incurred significant losses from operations to date and anticipate that the negative cash flow from operations will continue for 2010. We expect that our existing capital will support our operations for at least the next twelve months, during which time we hope to complete a strategic licensing agreement or secure the approval and future sales of the Excellagen product family and/or another corporate transaction.

On August 9, 2010 we filed a Form S-3 Registration Statement putting in place a universal shelf registration statement covering up to $50 million of any combination of common stock, preferred stock, debt securities, warrants, or units we may offer from time to time in the future. Specific terms of the offering will be provided in one or more supplements to the prospectus. This registration statement is intended to allow us to capitalize on strategic opportunities that may arise; we do not have any current commitments for shares to be registered under the registration statement. The registration statement has a three year life and replaces an existing universal shelf registration statement scheduled to expire later in the year.

If we fail to enter into a strategic licensing arrangement or generate sufficient product sales, we will not generate sufficient cash flows to cover our operating expenses. If needed, we intend to secure additional working capital through the sale of additional debt or equity securities. No arrangements or commitments for any such financing are in place at this time, and we cannot give any assurances about the availability or terms of any future financing.

Our history of recurring losses and uncertainties as to whether our operations might become profitable raise substantial doubt about our ability to continue as a going concern. The condensed consolidated financial statements do not include any adjustments related to the recoverability of assets or classifications of liabilities that might be necessary should we be unable to continue as a going concern.

Note 2. Basis of Presentation and Summary of Certain Significant Accounting Policies

Basis of Presentation

Our principal activities are expected to focus on the commercialization of our licensed technologies, other technologies and the expansion of our existing product candidates. The accompanying condensed consolidated financial statements have been prepared in accordance with the Financial Accounting Standards Board (the FASB) Accounting Standards Codification (ASC) Topic 915, Accounting and Reporting by Development Stage Enterprises.

The accompanying interim unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) for interim financial information and pursuant to the instructions to Form 10-Q and applicable rules and regulations. Certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations. In management's opinion, all adjustments necessary for a fair presentation of the condensed consolidated financial position, results of operations and cash flows have been included and are of a normal, recurring nature. The condensed consolidated results of operations for the three and six months ended June 30, 2010 are not necessarily indicative of the operating results for the full fiscal year or any future periods.

The accompanying condensed consolidated financial statements and these notes should be read in conjunction with our audited financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2009 (2009 Annual Report). The accounting policies used to prepare the financial statements included in this report are the same as those described in the notes to the consolidated financial statements in our 2009 Annual Report unless otherwise noted below.

Earnings Per Common Share

We compute earnings per share, or loss per share, in accordance with ASC Topic 260, Earnings Per Share. ASC Topic 260 requires dual presentation of basic and diluted earnings per share.

Basic income or loss per common share for continuing operations and discontinued operations is computed by dividing net income or loss by the weighted average number of common shares outstanding during the period. Diluted income or loss per common share is computed by dividing net income or loss by the weighted average number of common shares outstanding, plus the issuance of common shares, if dilutive, resulting from the exercise of outstanding stock options and warrants. These potentially dilutive securities were not included in the calculation of loss per common share for the three and six month periods ended June 30, 2010 and 2009, due to the losses we incurred during such periods as their inclusion would have been anti-dilutive.

Potentially dilutive securities not included in diluted loss per common share for continuing operations and discontinued operations consisted of outstanding stock options and warrants to acquire 42,729,005 shares as of June 30, 2010 and 23,717,953 shares as of June 30, 2009.

Stock-Based Compensation

In accordance with ASC Topic 718 Compensation-Stock Compensation, stock-based compensation costs are recognized on a straight-line basis over the requisite service period of the award, which is generally the vesting term of the award.

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Total stock-based compensation expense included in the condensed consolidated statements of operations was allocated to research and development and general and administrative expenses as follows:

	For the Three Months Ended June 30,	
	2010	2009
Research and development	$ 42,825	$ 55,118
General and administrative	71,488	65,490
Total	$ 114,313	$ 120,608

	For the Six Months Ended June 30,	
	2010	2009
Research and development	$ 85,473	$ 169,374
General and administrative	149,319	201,247
Total	$ 234,792	$ 370,621

As of June 30, 2010 we had $626,794 of unvested stock-based compensation at fair value remaining to be expensed ratably over the period July 2010 through May 2013.

Income Taxes

In accordance with ASC Topic 740 Income Taxes interest costs related to unrecognized tax benefits are required to be calculated (if applicable) and would be reclassified as interest expense, net. Penalties if incurred would be recognized as a component of general and administrative expense.

We file income tax returns in the United States (federal) and in various state and local jurisdictions. In most instances, we are no longer subject to federal, state and local income tax examinations by tax authorities for years prior to 2006.

As of December 31, 2009 and for the six months ended June 30, 2010, no liability for unrecognized tax benefits was required to be recorded. We do not expect our unrecognized tax benefit position to change during the next 12 months.

As of December 31, 2009 and June 30, 2010, we recognized deferred tax assets of $29.3 million and $30.6 million, respectively which are primarily comprised of net operating loss carryovers. As of December 31, 2009 and for the six months ended June 30, 2010 we had net operating loss carryovers of $71.4 million and $75 million, respectively. These net operating losses are subject to Internal Revenue Code Section 382, which could result in limitations on the amount of such losses that could be utilized during any taxable year. The net operating losses begin to expire in 2023 for federal income tax purposes and in 2013 for state income tax purposes.

The ultimate realization of deferred tax assets depends on the generation of future taxable income during the periods in which those net operating losses are available. We consider projected future taxable income and tax planning strategies in making this assessment. At present, we do not have a sufficient history of income to conclude that it is more-likely-than-not that we will realize the benefits of our deferred tax assets and therefore we have recorded a valuation allowance for the full amount of our deferred tax assets.

A valuation allowance will be maintained until sufficient positive evidence exists to support the reduction of any portion or all of the valuation allowance. Should we become profitable in future periods with supportable trends, the valuation allowance will be recalculated accordingly.

Note 3. Disposal of Long-lived Assets

In accordance with the provisions of ASC Topic 360, Accounting for the Impairment or Disposal of Long-Lived Assets, the disposal of all of the assets and liabilities of our InnerCool Therapies business segment is presented as a discontinued operation in the accompanying condensed consolidated financial statements.

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The following results of operations of InnerCool Therapies are presented as a loss from a discontinued operation in the condensed consolidated statements of operations:

	Three Months Ended June 30, 2010	Three Months Ended June 30, 2009	Six Months Ended June 30, 2010	Six Months Ended June 30, 2009	Period from December 22, 2003 (Inception) to June 30, 2010
Revenues					
Product sales	$	$ 370,293	$	$ 720,070	$ 4,620,076
Cost of goods sold		322,085		528,679	4,313,998
Gross profit		48,208		191,391	306,078
Operating expenses					
Research and development		107,173		289,741	5,965,833
Selling, general and administrative		776,132		1,513,443	13,681,733
Amortization intangibles		197,414		394,828	2,696,193
Total operating expenses		1,080,719		2,198,012	22,343,759
Loss from operations		(1,032,511)		(2,006,621)	(22,067,681)
Interest, net				(19,591)	(523,539)
Net loss from discontinued operations	$	(1,032,511)	$	$ (2,026,212)	$ (22,561,220)

Note 4. Property and Equipment

Property and equipment consisted of the following:

	June 30, 2010	December 31, 2009
Computer and telecommunication equipment	$ 495,672	$ 466,329
Machinery and equipment	31,779	31,779
Office equipment	53,050	53,050
Instrumentation	115,421	115,421
Office furniture and equipment	474,772	473,652
Leasehold improvements	152,774	152,774
	1,323,468	1,293,005
Accumulated depreciation and amortization	(1,023,721)	(941,466)
Property and equipment, net	$ 299,747	$ 351,539

Depreciation and amortization of property and equipment for continuing operations totaled $42,026 for the three months ended June 30, 2010 and $82,255 for the six months ended June 30, 2010. For the three months ended June 30, 2009, depreciation and amortization of property and equipment totaled $81,340 and for the six months ended June 30, 2009 totaled $356,967. Depreciation and amortization of property and equipment totaled $1,812,786 for the period from December 22, 2003 (date of inception) through June 30, 2010.

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Note 5. Accrued Liabilities

Accrued liabilities consisted of the following:

	June 30, 2010	December 31, 2009
Accrued expenses - other	34,658	24,608
Accrued compensation and benefits	874,457	311,849
Total	$ 909,115	$ 336,457