Teligent, Inc.
Form 10-Q
December 12, 2018
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q
(Mark One)

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

For the quarterly period ended September 30, 2018

¨ **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 001-08568

Teligent, Inc.

(Formerly IGI Laboratories, Inc.)
(Exact name of registrant as specified in its charter)

Delaware	**01-0355758**
(State or other Jurisdiction of incorporation or	*(I.R.S. Employer Identification No.)*

organization)

105 Lincoln Avenue	
Buena, New Jersey	**08310**
(Address of Principal Executive Offices)	*(Zip Code)*

(856) 697-1441
(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 þ No ¨

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 þ 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. See the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

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

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

1

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes ¨ No þ

The number of shares outstanding of the issuer's common stock is 53,774,221 shares as of December 10, 2018.

OTHER INFORMATION

When used in this report, the terms, “we,” the “Company,” “our,” and “us” refer to Teligent, Inc., a Delaware corporation (formerly IGI Laboratories, Inc.), and its consolidated subsidiaries.

PART I
FINANCIAL INFORMATION
ITEM 1. Financial Statements
TELIGENT, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except share and per share information)
(Unaudited)

	September 30, 2018		**December 31, 2017**	
ASSETS				
Current assets:				
Cash and cash equivalents	$	15,267	$	26,692
Accounts receivable, net of allowance for doubtful accounts of $2,787 and $2,185, as of September 30, 2018 and December 31, 2017, respectively	16,707		12,742	
Inventories, net	17,882		16,075	
Prepaid expenses and other receivables	1,522		3,622	
Total current assets	51,378		59,131	
Property, plant and equipment, net	88,387		68,355	
Intangible assets, net	52,045		56,017	
Goodwill	464		471	
Other assets	608		611	
Total assets	$	192,882	$	184,585
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current liabilities:				
Accounts payable	$	4,476	$	10,595
Accrued expenses	10,437		8,101	
Term Loan, net of debt discount and debt issuance costs (face of $25,000 as of September 30, 2018)	24,168		—	
Total current liabilities	39,081		18,696	
Convertible 3.75%	61,634		120,977	

Senior Notes, net of debt discount and debt issuance costs (face of $68,660 and $143,750 as of September 30, 2018 and December 31, 2017, respectively)				
Convertible 4.75% Senior Notes, net of debt discount and debt issuance costs (face of $75,090 as of September 30, 2018)	56,148		—	
Deferred tax liability	249		159	
Other long term liabilities	70		—	
Total liabilities	157,182		139,832	
Commitments and Contingencies				
Stockholders' equity:				
Common stock, $0.01 par value, 100,000,000 shares authorized; 53,762,888 and 53,400,281 shares issued and outstanding as of September 30, 2018 and December 31, 2017, respectively	557		554	
Additional paid-in capital	119,346		106,312	
Accumulated deficit	(81,960)		(60,094)	
Accumulated other comprehensive loss	(2,243)		(2,019)	
Total stockholders' equity	35,700		44,753	
Total liabilities and stockholders' equity	$	192,882	$	184,585

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

4

TELIGENT, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except shares and per share information)
(Unaudited)

	Three months ended September 30,				Nine months ended September 30,			
	2018		2017		2018		2017	
Revenue, net	$	18,294	$	11,340	$	49,088	$	45,435
Costs and expenses:								
Cost of revenues	11,575		8,802		32,365		23,926	
Selling, general and administrative expenses	4,845		5,971		15,932		14,976	
Product development and research expenses	3,087		4,606		10,445		13,387	
Total costs and expenses	19,507		19,379		58,742		52,289	
Operating loss	(1,213)		(8,039)		(9,654)		(6,854)	
Other income (expense):								
Foreign currency exchange (loss) gain	(176)		1,744		(2,071)		6,645	
Partial extinguishment of Convertible 3.75% Senior Notes	—		—		(2,467)		—	
Interest and other expense, net	(2,693)		(2,663)		(7,764)		(8,731)	
Loss before income tax expense	(4,082)		(8,958)		(21,956)		(8,940)	
Income tax (benefit) expense	(137)		24		(90)		130	
Net loss attributable to common	$	(3,945)	$	(8,982)	$	(21,866)	$	(9,070)

shareholders								
Basic and diluted loss per share	$	(0.07)	$	(0.17)	$	(0.41)	$	(0.17)
Weighted average shares of common stock outstanding:								
Basic and diluted shares	53,625,768		53,391,948		53,532,277		53,297,889	

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

5

TELIGENT, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(in thousands)
(Unaudited)

	Three months ended September 30,					**Nine months ended September 30,**	
	2018		**2017**		**2018**		**2017**	
Net loss	$	(3,945)	$	(8,982)	$	(21,866)	$	(9,070)
Other comprehensive income (loss), net of tax;								
Foreign currency translation adjustment	108		378		(224)		133	
Other comprehensive income (loss)	108		378		(224)		133	
Comprehensive loss	$	(3,837)	$	(8,604)	$	(22,090)	$	(8,937)

The accompanying notes are an integral part of the condensed consolidated financial statements.
6

TELIGENT, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
(in thousands, except share information)
(Unaudited)

	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount				
Balance, December 31, 2017	53,400,281	$ 554	$ 106,312	$ (2,019)	$ (60,094)	$ 44,753
Stock based compensation expense	—	—	1,654	—	—	1,654
Stock options exercised	236,000	2	244	—	—	246
Issuance of stock for vested restricted stock units	101,607	1	(1)	—	—	—
Issuance of stock to a consultant	25,000	—	102			102
Fair value of conversion feature on Convertible 4.75% Senior Notes	—	—	18,637	—	—	18,637
Partial extinguishment of equity component of Convertible 3.75% Senior Notes	—	—	(7,602)	—	—	(7,602)
Cumulative	—	—	—	(224)	—	(224)

translation adjustment						
Net loss	—	—	—	—	(21,866)	(21,866)
Balance, September 30, 2018	53,762,888	$ 557	$ 119,346	$ (2,243)	$ (81,960)	$ 35,700

The accompanying notes are an integral part of the condensed consolidated financial statements.
7

TELIGENT, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(Unaudited)

	Nine months ended September 30,			
	2018		**2017**	
Cash flows from operating activities:				
Net loss	$	(21,866)	$	(9,070)
Reconciliation of net loss to net cash used in operating activities:				
Depreciation and amortization of fixed assets	1,703		1,264	
Provision for bad debt expense	601		1,738	
Provision for write down of inventory	844		1,489	
Issuance of stock to consultant	102		—	
Stock based compensation	1,572		2,427	
Amortization of debt issuance costs	727		695	
Amortization of intangible assets	2,302		2,143	
Foreign currency exchange loss (gain)	2,071		(6,645)	
Partial extinguishment of Convertible 3.75% Senior Notes	2,467		—	
Amortization of debt discount	6,353		6,376	
Gain on sale of fixed assets	(20)		—	
Loss on impairment of	22		113	

intangible assets		
Changes in operating assets and liabilities:		
Accounts receivable	(4,587)	(2,491)
Inventories	(2,746)	(2,767)
Prepaid expenses and other current receivables	2,081	510
Other assets	4	21
Accounts payable and accrued expenses	(6,944)	1,537
Net cash used in operating activities	(15,314)	(2,660)
Cash flows from investing activities:		
Capital expenditures	(18,315)	(26,002)
Proceeds from sale of fixed assets	38	—
Net cash used in investing activities	(18,277)	(26,002)
Cash flows from financing activities:		
Proceeds from exercise of common stock options	246	269
Proceeds from 2021 Term Loan	25,000	—
Debt fees on Convertible 4.75% Senior Notes and 2021 Term Loan	(2,539)	—
Net cash provided by	22,707	269

financing activities				
Effect of exchange rate on cash and cash equivalents	(542)		618	
Net decrease in cash, cash equivalents and restricted cash	(10,884)		(28,393)	
Cash, cash equivalents and restricted cash at beginning of period	27,165		66,481	
Cash, cash equivalents and restricted cash at end of period	$	15,739	$	38,706
Supplemental Cash flow information:				
Cash payments for interest	$	3,136	$	2,695
Cash payments for income taxes	66		102	
Non-cash operating, investing and financing transactions:				

8

Issuance of stock to a consultant	102	—
Acquisition of capital expenditures in accounts payable and accrued expenses	1,316	5,029
Capitalized interest in capital expenditures	2,013	1,058
Capitalized stock compensation in capital expenditures	82	101

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

9

TELIGENT, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP") for interim financial information and with the instructions to Form 10-Q and Article 8-03 of Regulation S-X. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. These unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2017, as updated by other reports we may file from time to time with the Securities and Exchange Commission ("SEC"). The condensed consolidated balance sheet as of December 31, 2017 has been derived from those audited consolidated financial statements. Operating results for the nine-month period ended September 30, 2018 are not necessarily indicative of the results that may be expected for the year ending December 31, 2018.

1.Correction to Previously Issued Unaudited Interim Condensed Consolidated Financial Statements

Subsequent to the issuance of the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2018, management determined adjustments were needed to correct the presentation of certain errors in the Company's previously reported unaudited condensed consolidated financial statements as of and for the three and nine-months ended September 30, 2017. Accordingly, the accompanying Condensed Consolidated Statement of Operations of the Company for the three and nine-months ended September 30, 2017, and the related notes hereto, have been revised to correct these errors (the "Revision"). A summary of the correction of these errors, and their impact on the accompanying Condensed Consolidated Statement of Operations for the three and nine-months ended September 30, 2017 are, as follows:

(1) The Company pays wholesalers certain fees associated with the sale of the Company's product. The payment of these fees had been historically classified by the Company as cost of revenues and accrued expenses prior to the adoption of ASC 606, *Revenue from Contracts with Customers.* As disclosed in Note 4, the Company adopted ASC 606 on January 1, 2018 using the modified retrospective method, at which time the Company began classifying the payment of wholesaler fees as a reduction of revenue and accounts receivable. Upon further analysis, however, management determined that these fees should have always been classified as a reduction of revenue and accounts receivable, rather than as costs of revenues and accrued expenses, because the services provided by the Company's wholesalers cannot generally be provided by third parties and the underlying fees are not specifically identifiable from other services. As a result, the accompanying Condensed Consolidated Statement of Operations for the three and nine-months ended September 30, 2017 has been revised to correct the presentation of wholesaler fees as a reduction of revenue rather than as cost of revenues. The correction of this error resulted in a reduction of revenue of approximately $1.5 million and $5.7 million, respectively, for the three and nine-month periods ended September 30, 2017. In addition, the correction of this error resulted in a reduction in accounts receivable and decrease in accrued expenses of approximately $6.1 million, respectively, as of September 30, 2017 and $7.0 million, respectively, as of December 31, 2017.

(2) Prior to the adoption of ASC 606, the Company classified Medicaid, Medicare and other rebates (the "Rebates") as a reduction of accounts receivable, whereas subsequent to adoption of ASC 606 the Company began classifying the Rebates as accrued expenses. Upon further analysis, management determined that the Rebates should have always been classified as accrued expenses because their terms require cash settlement and are payable to third parties that are other than the Company's customer. The correction of this error resulted in an increase in accounts receivable and increase in accrued expenses of $2.3 million, respectively, as of September 30, 2017 and $1.6 million, respectively, as of December 31, 2017.

The following tables summarize the effects of the Revision on the Company's unaudited interim condensed consolidated financial statements as of and for the three and nine-months ended September 30, 2017 (in thousands):

Condensed Consolidated Statements of Operations

	Three Months Ended September 30, 2017							**Nine Months Ended September 30, 2017**
	As Previously Reported	**Adjustment**		**As Revised**	**As Previously Reported**	**Adjustment**		**As Revised**
Revenue, net	12,851	1,511	(1)	11,340	51,150	5,715	(1)	45,435

Cost of revenues	10,313	1,511 (1)	8,802	29,641	5,715 (1)	23,926
Total costs and expenses	20,890	1,511 (1)	19,379	58,004	5,715 (1)	52,289

	Condensed Consolidated Balance Sheet September 30, 2017				Condensed Consolidated Balance Sheet December 31, 2017			
	As Previously Reported	Adjustment		As Revised	As Previously Reported	Adjustment		As Revised
Accounts receivable, net	25,026	3,800	(1),(2)	21,226	18,143	5,401	(1),(2)	12,742
Total current assets	79,846	3,800	(1),(2)	76,046	64,532	5,401	(1),(2)	59,131
Total assets	194,466	3,800	(1),(2)	190,666	189,986	5,401	(1),(2)	184,585
Accrued expenses	16,372	3,800	(1),(2)	12,572	13,502	5,401	(1),(2)	8,101
Total current liabilities	25,237	3,800	(1),(2)	21,437	24,097	5,401	(1),(2)	18,696
Total liabilities	143,939	3,800	(1),(2)	140,139	145,233	5,401	(1),(2)	139,832
Total liabilities and stockholders' equity	194,466	3,800	(1),(2)	190,666	189,986	5,401	(1),(2)	184,585

	Condensed Consolidated Statement of Cash Flows Nine Months Ended September 30, 2017			
	As Previously Reported	Adjustment		As Revised
Cash flows from operating activities				
Accounts receivable	(4,960)	(2,469)	(1),(2)	(2,491)
Accounts payable and accrued expenses	4,006	2,469	(1),(2)	1,537

2. Nature of the Business and Liquidity

Nature of the Business

Teligent, Inc. and its subsidiaries (collectively the “Company”), is a specialty generic pharmaceutical company. Our mission is to become a leader in the specialty generic pharmaceutical market in alternate dosage forms. Under our own label, we currently market and sell generic topical and generic and branded generic injectable pharmaceutical products in the United States and Canada. In the United States, we currently market 32 generic topical pharmaceutical products and four branded generic injectable pharmaceutical products. In Canada, we sell over 30 generic and branded generic injectable products and medical devices. Generic pharmaceutical products are bioequivalent to their brand name counterparts. We also provide contract manufacturing services to the pharmaceutical, over-the-counter ("OTC"), and cosmetic markets. We operate our business under one reportable segment. Our common stock is traded on the NASDAQ Global Select Market under the trading symbol “TLGT.” Our principal executive office, laboratories and manufacturing facilities are located at 105 Lincoln Avenue, Buena, New Jersey. We have additional offices located in Iselin, New Jersey, Toronto, Canada, and Tallinn, Estonia.

Liquidity

Our capital resources were comprised of cash and cash equivalents of $15.3 million and $26.7 million as of September 30, 2018 and December 31, 2017, respectively. The reduction in our cash during the nine months ended September 30, 2018 was largely due to our additional year-to-date investment of $18.3 million in the Company's new manufacturing facility located in Buena, New Jersey, along with the timing of our accounts receivable collections and expense payments associated with our launch of six new products in the U.S. market. In addition, we had an accumulated deficit of $82.0 million as of September 30, 2018, and incurred a $21.9 million net loss and used $15.3 million in net cash from operating activities during the nine months ended September 30, 2018.

Our liquidity needs have typically arisen from the funding of our new manufacturing facility, product manufacturing costs, research and development programs and the launch of new products. In the past, we have met these cash requirements through cash inflows from operations, working capital management, and proceeds from borrowings such as our Convertible Senior Notes and Term Loan discussed in Note 7. We expect to continue to incur significant expenditures for the development of new products in our pipeline, and the manufacturing and sales and marketing of our existing product. While we rely heavily on cash flows from operating activities and borrowings from outside sources to execute our operational strategy and meet our financial commitments and other short-term financial needs, we cannot be certain that sufficient capital will be generated through operations or will be available to the Company to the extent required and on acceptable terms.

In addition, were unable to file our Quarterly Report on Form 10-Q for the quarter ended September 30, 2018 with the SEC by the required filing date. As a result, the Company was not in compliance with a non-financial covenant prescribed by our Term Loan, which requires timely filing of our annual and interim consolidated financial statements, and our ability to offer up to $50.0 million in debt or equity securities through our existing shelf registration statement on file with the SEC was suspended for a period of twelve months. Moreover, due to the lack of compliance with the non-financial covenant prescribed by our Term Loan, we reclassified the net carrying value of $24.2 million as current debt in the accompanying Condensed Consolidated Balance Sheet as of September 30, 2018.

The foregoing matters, when considered in the aggregate, raise substantial doubt about the Company’s ability to continue as a going concern. However, the accompanying Condensed Consolidated Financial Statements do not include any adjustments that might result from the outcome of this uncertainty. Notwithstanding these matters, we continue to implement various actions, which we believe are probable of occurring and, as such, alleviate substantial doubt about the Company’s ability to continue as a going concern. A summary of these actions are as follows:

•We are closely managing our recurring operating expenses and limiting our non-recurring operating expenses over the next twelve-month period.
•We have completed the construction of our manufacturing facility in Buena, New Jersey and are limiting cash outflows for other capital expenditures. Moreover, we have the ability to delay other capital projects until such time that our liquidity improves, or we receive funding from outside sources.
•On November 12, 2018, the Company entered into a financing commitment whereby Ares Capital Management ("Ares") has agreed to loan the Company up to $120.0 million ("Ares Credit Facility"). The Ares Credit Facility will be secured by all of the Company's assets and will be funded in three tranches: (1) an asset based revolving credit facility of $25.0 million due November 2022 ("2022 Revolver"), (2) a term loan of $80.0 million due February 2023 ("2023 Term Loan"), and (3) a delayed draw term loan of $15.0 million also due in February 2023 ("2023 Delayed Draw Term Loan"). In addition, the Ares Credit Facility will require the Company to comply with certain affirmative non-financial covenants relating to periodic reporting and maintaining compliance with standard rules and regulations customary in the markets where the Company competes, as well as negative financial covenants limiting levels of indebtedness and restricting certain payments, as well as minimum revenue covenants for each twelve-month period ending December 31, 2018, March 31, 2019 and June 30, 2019, minimum consolidated adjusted EBITDA covenants for the twelve-month period ending September 30, 2019, December 31, 2019, March 31, 2020, June 30, 2020 and September 30, 2020 and minimum net leverage ratio covenants for the twelve-month period ending December 31, 2020 and ending each fiscal quarter thereafter until maturity. The 2023 Term Loan and 2023 Delayed Draw Term Loan will be subordinate to the 2022 Revolver. The proceeds from both the 2022 Revolver and 2023 Term Loan are anticipated to be funded in the fourth quarter upon execution of the final agreements with Ares, whereas the 2023 Delayed Draw Term Loan will be made available when the Company initiates capital improvements to substantially increase manufacturing capacity in its Buena, New Jersey injectable manufacturing facility, which is currently scheduled to begin in fiscal year 2019. The Company intends to use the proceeds from 2023 Term Loan to extinguish its existing $25.0 million 2021 Term Loan, as well as extinguish its remaining outstanding $68.7 million of December 2019 Notes. The 2022 Revolver will bear interest at a rate of LIBOR plus 3.75%, whereas the 2023 Term Loan and

2023 Delayed Draw Term Loan will bear interest at a rate of LIBOR plus 8.75% with a 24-month paid-in-kind interest option available to the Company should it choose to defer cash interest payments in order to provide further liquidity to continue launching new products.

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Out of Period Adjustments

13

For the three and nine months ended September 30, 2018, the Company recorded the following adjustments (in thousands) related to prior periods. The net impact of the adjustments on all prior annual or interim periods financial statements were not significant. There were no adjustments related to prior periods recorded for the three and nine months ended September 30, 2017.

	Three months ended September 30, 2018	**Nine months ended September 30, 2018**
Wholesale fees (Revenue)	$ —	$ 1,218
Chargebacks (Revenue)	(455)	(455)
Medicaid (Revenue)	—	297
Pricing and shipment adjustment (Revenue)	—	(502)
Sales return reserve (Revenue)	—	(577)
Inventory adjustments (Cost of revenues)	—	95
Capitalization of property, plant and equipment (Cost of revenues)	—	263
Bad debt expense (Selling, general and administrative expenses)	—	(578)
	$ (455)	$ (239)

3. Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of Teligent, Inc. and its wholly-owned and majority-owned subsidiaries. All inter-company accounts and transactions have been eliminated. The Company consolidated the following entities: Igen, Inc., Teligent Pharma. Inc., Teligent Luxembourg S.à.r.l., Teligent OÜ, Teligent Canada Inc., and Teligent Jersey Limited., in addition to the following inactive entities: Microburst Energy, Inc., Blood Cells, Inc. and Flavorsome, Ltd.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the U.S. (GAAP) 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 revenues and expenses during the reporting period. Significant estimates include the historical valuation of the derivative liability, sales returns and allowances, allowances for excess and obsolete inventories, allowances for doubtful accounts, provisions for income taxes and related valuation allowances, stock based compensation, the assessment for the impairment of long-lived assets (including intangibles, goodwill and property, plant and equipment), property, plant and equipment and legal accruals for environmental cleanup and remediation costs. Actual results could differ from those estimates.

Cash Equivalents

The Company considers all highly liquid instruments purchased with the original maturity of three months or less to be cash equivalents to the extent the funds are not being held for investment purposes. Cash and cash equivalents include cash on hand and bank demand deposits used in the Company's cash management program.

The Company has restricted cash, consisting of escrow accounts and letter of credits, which is included within other assets on the Condensed Consolidated Balance Sheet. The Company also presents restricted cash with cash and cash equivalents in the Condensed Consolidated Statement of Cash Flows.

The following table provides a reconciliation of cash and cash equivalents and restricted cash reported in the Condensed Consolidated Balance Sheet to the total amounts in the Condensed Consolidated Statement of Cash Flows as follows (in thousands):

	September 30, 2018		**December 31, 2017**		**September 30, 2017**		**December 31, 2016**	
Cash and cash equivalents	$	15,267	$	26,692	$	38,231	$	66,006
Restricted cash in other assets	472		473		475		475	
Cash, cash equivalents and restricted cash in the statement of	$	15,739	$	27,165	$	38,706	$	66,481

cash flows

Stock Based Compensation

ASC 718-10 defines the fair-value-based method of accounting for stock-based employee compensation plans and transactions used by the Company to account for its issuances of equity instruments to record compensation cost for stock-based employee compensation plans at fair value as well as to acquire goods or services from non-employees. Transactions in which the Company issues stock-based compensation to employees, directors and advisors and for goods or services received from non-employees are accounted for based on the fair value of the equity instruments issued. The Company utilizes pricing models in determining the fair values of options, restricted stock units ("RSU's") and warrants issued as stock-based compensation. These pricing models utilize the market price of the Company's common stock and the exercise price of the option or warrant, as well as time value and volatility factors underlying the positions. Stock-based compensation expense is recognized over the requisite service period of the award, which usually coincides with the vesting period of the grant.

Fair Value of Financial Instruments

The carrying amounts of cash and cash equivalents, trade receivables, notes payable, accounts payable and other accrued liabilities at September 30, 2018 approximate their fair value for all periods presented. As of September 30, 2018, the net carrying value of the 2019 Notes and 2023 Notes (collectively the "Notes" and discussed in Note 7) was approximately $117.8 million compared to their face value of $143.75 million. This variance is due to the conversion feature in the Notes rather than to changes in market interest rates. The Notes carry a fixed interest rate and therefore are not subject to interest rate risk. As of September 30, 2018, the carrying value of the 2021 Term Loan (discussed in Note 7) was approximately $24.2 million compared to the face value of $25.0 million. The variance is due to debt discount and debt financing costs. The 2021 Term Loan bears interest at a rate of LIBOR plus 9%, and is therefore subject to market risk.

Loss Per Share

Basic loss per share of common stock is computed based on the weighted average number of shares of common stock outstanding during the period. Diluted loss per share of common stock is computed using the weighted average number of shares of common stock and potential dilutive common stock equivalents outstanding during the period. Potential dilutive common stock equivalents include shares issuable upon the conversion of the 2019 and 2023 Notes, the exercise of options, and the vesting of RSU's. For the three and nine months ended September 30, 2018, the potential dilutive common stock equivalents have been excluded from the computation of diluted loss per share, as their effect would have been anti-dilutive.

(in thousands except shares and per share data)

	Three months ended September 30,			**Nine months ended September 30,**
	2018	**2017**	**2018**	**2017**
Basic loss per share computation:				