

MoSys, Inc.
Form 10-Q
November 08, 2013
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 10-Q

(Mark one)

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

For the quarterly period ended September 30, 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 000-32929

MOSYS, Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of Incorporation or organization)

77-0291941
(I.R.S. Employer
Identification Number)

3301 Olcott Street

Santa Clara, California, 95054

(Address of principal executive office and zip code)

(408) 415-4500

(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 filing requirements for the past 90 days. YES x 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 (§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

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 definitions of large accelerated filer, accelerated filer, and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer
(Do not check if a smaller reporting company)

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 No

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As of November 1, 2013, 48,411,904 shares of the Registrant's common stock, \$0.01 par value, were outstanding.

Table of Contents

MOSYS, INC.

FORM 10-Q
September 30, 2013

TABLE OF CONTENTS

| | | |
|-----------------|---|----|
| <u>PART I</u> | <u>FINANCIAL INFORMATION</u> | |
| <u>Item 1.</u> | <u>Financial Statements (Unaudited):</u> | |
| | <u>Condensed Consolidated Balance Sheets as of September 30, 2013 and December 31, 2012</u> | 3 |
| | <u>Condensed Consolidated Statements of Operations and Comprehensive Loss for the three and nine months ended September 30, 2013 and 2012</u> | 4 |
| | <u>Condensed Consolidated Statements of Cash Flows for the nine months ended September 30, 2013 and 2012</u> | 5 |
| | <u>Notes to Condensed Consolidated Financial Statements</u> | 6 |
| <u>Item 2.</u> | <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u> | 17 |
| <u>Item 3.</u> | <u>Qualitative and Quantitative Disclosures About Market Risk</u> | 22 |
| <u>Item 4.</u> | <u>Controls and Procedures</u> | 22 |
| <u>PART II</u> | <u>OTHER INFORMATION</u> | 22 |
| <u>Item 1</u> | <u>Legal Proceedings</u> | 22 |
| <u>Item 1A.</u> | <u>Risk Factors</u> | 22 |
| <u>Item 6.</u> | <u>Exhibits</u> | 23 |
| | <u>Signatures</u> | 24 |

Table of Contents**PART I FINANCIAL INFORMATION****Item 1. Financial Statements****MOSYS, INC.****CONDENSED CONSOLIDATED BALANCE SHEETS****(Unaudited)****(In thousands, except par value)**

| | September 30, 2013 | December 31, 2012 |
|---|-----------------------|----------------------|
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | \$ 2,174 | \$ 2,529 |
| Short-term investments | 33,409 | 30,798 |
| Accounts receivable, net | 54 | 287 |
| Prepaid expenses and other current assets | 1,768 | 1,362 |
| Total current assets | 37,405 | 34,976 |
| Long-term investments | 17,671 | 7,383 |
| Property and equipment, net | 780 | 1,238 |
| Goodwill | 23,134 | 23,134 |
| Intangible assets, net | 1,904 | 2,654 |
| Other assets | 137 | 149 |
| Total assets | \$ 81,031 | \$ 69,534 |
| LIABILITIES AND STOCKHOLDERS EQUITY | | |
| Current liabilities | | |
| Accounts payable | \$ 195 | \$ 393 |
| Accrued expenses and other liabilities | 1,642 | 3,947 |
| Deferred revenue | 205 | 481 |
| Total current liabilities | 2,042 | 4,821 |
| Long-term liabilities | 208 | 171 |
| Commitments and contingencies (Note 4) | | |
| Stockholders' equity | | |
| Preferred stock, \$0.01 par value; 20,000 shares authorized; none issued and outstanding | | |
| Common stock, \$0.01 par value; 120,000 shares authorized; 48,322 shares and 40,054 shares issued and outstanding at September 30, 2013 and December 31, 2012, respectively | 483 | 401 |
| Additional paid-in capital | 189,657 | 157,143 |
| Accumulated other comprehensive income (loss) | (8) | 11 |
| Accumulated deficit | (111,351) | (93,013) |
| Total stockholders' equity | 78,781 | 64,542 |

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| | | | | |
|--|----|--------|----|--------|
| Total liabilities and stockholders' equity | \$ | 81,031 | \$ | 69,534 |
|--|----|--------|----|--------|

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

Table of Contents

MOSYS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

(Unaudited)

(In thousands, except per share data)

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|-------------------------------------|------------|------------------------------------|-------------|
| | 2013 | 2012 | 2013 | 2012 |
| Net revenue | | | | |
| Licensing and other | \$ 141 | \$ 248 | \$ 550 | \$ 1,113 |
| Royalty | 816 | 1,079 | 2,862 | 3,374 |
| Total net revenue | 957 | 1,327 | 3,412 | 4,487 |
| Cost of net revenue | | | | |
| Licensing and other | 158 | 53 | 254 | 289 |
| Total cost of net revenue | 158 | 53 | 254 | 289 |
| Gross profit | 799 | 1,274 | 3,158 | 4,198 |
| Operating expenses | | | | |
| Research and development | 6,243 | 7,026 | 17,546 | 21,220 |
| Selling, general and administrative | 1,595 | 1,738 | 4,678 | 6,092 |
| Gain on sale of assets | | (1,435) | (630) | (3,291) |
| Total operating expenses | 7,838 | 7,329 | 21,594 | 24,021 |
| Loss from operations | (7,039) | (6,055) | (18,436) | (19,823) |
| Other income, net | 122 | 61 | 166 | 121 |
| Loss before income taxes | (6,917) | (5,994) | (18,270) | (19,702) |
| Income tax provision | 28 | 79 | 68 | 139 |
| Net loss | \$ (6,945) | \$ (6,073) | \$ (18,338) | \$ (19,841) |
| Other comprehensive loss, net of tax: | | | | |
| Net unrealized gains (losses) on available-for-sale securities | 51 | 27 | (19) | 25 |
| Comprehensive loss | \$ (6,894) | \$ (6,046) | \$ (18,357) | \$ (19,816) |
| Net loss per share | | | | |
| Basic and diluted | \$ (0.14) | \$ (0.15) | \$ (0.42) | \$ (0.51) |
| Shares used in computing net loss per share | | | | |
| Basic and diluted | 48,164 | 39,299 | 44,173 | 38,919 |

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

Table of Contents

MOSYS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(In thousands)

| | Nine Months Ended September 30, | |
|---|------------------------------------|-------------|
| | 2013 | 2012 |
| Cash flows from operating activities: | | |
| Net loss | \$ (18,338) | \$ (19,841) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| Depreciation and amortization | 565 | 730 |
| Stock-based compensation | 2,800 | 2,991 |
| Amortization of intangible assets | 750 | 1,496 |
| Gain on sale of assets | (630) | (3,291) |
| Other non-cash items | 13 | (27) |
| Changes in assets and liabilities: | | |
| Accounts receivable | 233 | 968 |
| Prepaid expenses and other assets | (368) | 161 |
| Deferred revenue | (276) | (257) |
| Accounts payable | (198) | (211) |
| Accrued expenses and other liabilities | (2,268) | (203) |
| Net cash used in operating activities | (17,717) | (17,484) |
| Cash flows from investing activities: | | |
| Purchases of property and equipment | (120) | (257) |
| Net proceeds from sale of assets | 630 | 3,437 |
| Proceeds from sales and maturities of marketable securities | 40,967 | 29,175 |
| Purchases of marketable securities | (53,885) | (50,497) |
| Net cash used in investing activities | (12,408) | (18,142) |
| Cash flows from financing activities: | | |
| Proceeds from issuance of common stock | 2,024 | 3,146 |
| Proceeds from sale of common stock, net of issuance costs | 27,746 | |
| Repurchase of common stock (Note 4) | | (1,444) |
| Payments on capital lease obligations | | (134) |
| Net cash provided by financing activities | 29,770 | 1,568 |
| Net decrease in cash and cash equivalents | (355) | (34,058) |
| Cash and cash equivalents at beginning of period | 2,529 | 40,025 |
| Cash and cash equivalents at end of period | \$ 2,174 | \$ 5,967 |

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

Table of Contents

MOSYS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Note 1. The Company and Summary of Significant Accounting Policies

The Company

MoSys, Inc. (the Company) was incorporated in California in September 1991, and reincorporated in September 2000 in Delaware. The Company has been designing, developing, marketing and licensing high-performance semiconductor memory and high-speed parallel and serial interface (SerDes) intellectual property (IP) used by the semiconductor industry and communications, networking and storage equipment manufacturers. In February 2010, the Company announced the commencement of a new product initiative to develop a family of integrated circuit (IC) products under the Bandwidth Engine product name. Bandwidth Engine ICs combine the Company's proprietary high-density embedded memory with its high-speed 10 Gigabits per second and higher interface (I/O) technology. In March 2013, the Company announced another IC product line under the LineSpeed product name. LineSpeed ICs are non-memory based, high-speed SerDes devices with gearbox or retimer functionality, which convert lanes of data received on line cards into different configurations and/or ensure signal integrity. Both product lines are initially being marketed to networking and telecommunications systems companies. The Company's strategy and primary business objective is to become an IP-rich fabless semiconductor company focused on development and sale of IC products. The Company's future success and ability to achieve and maintain profitability depends on its success in developing a market for its ICs.

The accompanying condensed consolidated financial statements of the Company have been prepared without audit in accordance with the rules and regulations of the Securities and Exchange Commission (SEC). The condensed consolidated balance sheet at December 31, 2012 has been derived from the audited consolidated financial statements at that date. Certain information and disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States (GAAP) have been condensed or omitted in accordance with these rules and regulations. The information in this report should be read in conjunction with the Company's consolidated financial statements and notes thereto included in its most recent annual report on Form 10-K filed with the SEC.

In the opinion of management, the accompanying unaudited condensed consolidated financial statements reflect all adjustments (consisting only of normal recurring adjustments) necessary to summarize fairly the Company's financial position, results of operations and cash flows for the interim periods presented. The operating results for the three and nine months ended September 30, 2013 are not necessarily indicative of the results that may be expected for the year ending December 31, 2013 or for any other future period.

Basis of Presentation

The condensed consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All significant intercompany transactions and balances have been eliminated in consolidation. The Company's fiscal year is the calendar year.

Reclassification

Certain prior year amounts have been reclassified to conform to the current year presentation. The reclassification includes reclassifying unbilled contracts receivable into the prepaid expenses and other current assets line item of the condensed consolidated balance sheets. The amount for the prior period has been reclassified to be consistent with the current year presentation and has no impact on previously reported total assets, total stockholders' equity, net loss or comprehensive loss.

Use of Estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses recognized during the reported period. Actual results could differ from those estimates.

Table of Contents

Cash Equivalents and Investments

The Company has invested its excess cash in money market accounts, certificates of deposit, corporate debt, government agency and municipal debt securities and considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. Investments with original maturities greater than three months and remaining maturities less than one year are classified as short-term investments. Investments with remaining maturities greater than one year are classified as long-term investments. Management generally determines the appropriate classification of securities at the time of purchase. All securities are classified as available-for-sale. The Company's available-for-sale short-term and long-term investments are carried at fair value, with the unrealized holding gains and losses reported in accumulated other comprehensive income. Realized gains and losses and declines in the value judged to be other than temporary are included in the other income, net line item in the condensed consolidated statements of operations and comprehensive loss. The cost of securities sold is based on the specific identification method.

Fair Value Measurements

The Company measures the fair value of financial instruments using a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels, as follows:

Level 1 Inputs used to measure fair value are unadjusted quoted prices that are available in active markets for the identical assets or liabilities as of the reporting date.

Level 2 Pricing is provided by third party sources of market information obtained through the Company's investment advisors rather than models. The Company does not adjust for or apply any additional assumptions or estimates to the pricing information it receives from advisors. The Company's Level 2 securities include cash equivalents and available-for-sale securities, which consisted primarily of certificates of deposit, corporate debt, and government agency and municipal debt securities from issuers with high quality credit ratings. The Company's investment advisors obtain pricing data from independent sources, such as Standard & Poor's, Bloomberg and Interactive Data Corporation, and rely on comparable pricing of other securities because the Level 2 securities are not actively traded and have fewer observable transactions. The Company considers this the most reliable information available for the valuation of the securities.

Level 3 Unobservable inputs that are supported by little or no market activity and reflect the use of significant management judgment are used to measure fair value. These values are generally determined using pricing models for which the assumptions utilize management's estimates of market participant assumptions. The determination of fair value for Level 3 investments and other financial instruments involves the most management judgment and subjectivity.

Allowance for Doubtful Accounts

The Company establishes an allowance for doubtful accounts to ensure that its trade receivables balances are not overstated due to uncollectibility. The Company performs ongoing customer credit evaluations within the context of the industry in which it operates and

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generally does not require collateral from its customers. A specific allowance of up to 100% of the invoice value is provided for any problematic customer balances. Delinquent account balances are written off after management has determined that the likelihood of collection is remote. The Company grants credit only to customers deemed creditworthy in the judgment of management. There was no allowance for doubtful accounts receivable at September 30, 2013 or December 31, 2012.

Revenue Recognition

General

The Company generates revenue from the licensing of its IP and sales of IC products. The Company recognizes revenue when persuasive evidence of an arrangement exists, delivery or performance has occurred, the sales price is fixed or determinable, and collectibility is reasonably assured. Evidence of an arrangement generally consists of signed agreements or customer purchase orders.

Licensing

Licensing revenue consists of fees earned from license agreements, development services and support and maintenance. For stand-alone license agreements or license deliverables in multi-deliverable arrangements that do not require significant development, modification or customization, revenues are recognized when all revenue recognition criteria have been met. Delivery of the licensed technology is typically the final revenue recognition criterion met, at which time revenue is recognized. If any of the criteria are not met, revenue recognition is deferred until such time as all criteria have been met.

Table of Contents

When sales arrangements contain multiple deliverables (e.g., license and services), the Company reviews each deliverable to determine the separate units of accounting that exist within the agreement. If more than one unit of accounting exists, the consideration payable to the Company under the agreement is allocated to each unit of accounting using the relative fair value method. Revenue is recognized for each unit of accounting when the revenue recognition criteria have been met for that unit of accounting. The Company allocates revenue among the deliverables using the relative selling price method. Revenue allocated to each element is recognized when the basic revenue recognition criteria is met for each element. Under GAAP, the Company is required to apply a hierarchy to determine the selling price to be used for allocating revenue to deliverables: (i) vendor-specific objective evidence of fair value (VSOE), (ii) third-party evidence of selling price (TPE) and (iii) best estimate of the selling price (ESP). In general, the Company is unable to establish VSOE or TPE for license fees and development services. Therefore revenue is allocated to these elements based on the Company's ESP, which the Company determines after considering multiple factors such as management approved pricing guidelines, geographic differences, market conditions, competitor pricing strategies, internal costs and gross margin objectives. These factors may vary over time depending upon the unique facts and circumstances related to each deliverable. If the facts and circumstances underlying the factors considered change or should future facts and circumstances lead the Company to consider additional factors, the Company's ESP for license fee and development services could change.

For license agreements involving deliverables that do require significant production, modification or customization, and where the Company has significant experience in meeting the design specifications in the contract and the direct labor hours related to services under the contract can be reasonably estimated, the Company recognizes revenue over the period in which the contract services are performed. For these arrangements, the Company recognizes revenue using the percentage of completion method. Under this method, revenue recognized in any period depends on the Company's progress toward completion of projects in progress. Significant management judgment and discretion are used to estimate total direct labor hours. These judgmental elements include determining that the Company has the experience to meet the design specifications and estimate the total direct labor hours to perform the contract services, based on experience in developing prior licensees' designs. The direct labor hours for the development of the licensee's design are estimated at the beginning of the contract. As the direct labor hours are incurred, they are used as a measure of progress towards completion. During the contract performance period, the Company reviews estimates of direct labor hours to complete the contracts and will revise its estimates of revenue and gross profit under the contract if it revises the estimations of the direct labor hours to complete. The Company's policy is to reflect any revision in the contract gross profit estimate in reported income or loss in the period in which the facts giving rise to the revision become known. Under the percentage of completion method, provisions for estimated losses on uncompleted contracts are recorded in the period in which such losses are determined to be likely.

The Company provides support and maintenance under many of its license agreements. Under these arrangements, the Company provides unspecified upgrades, design rule changes and technical support. No other upgrades, products or other post-contract support are provided. Support and maintenance revenue is recognized at its fair value established by VSOE, ratably over the period during which the obligation exists, typically 12 months. These arrangements are generally renewable annually by the customer.

Royalty

The Company's licensing contracts typically also provide for royalties based on licensees' use of the Company's memory technology in their currently shipping commercial products. The Company recognizes royalties in the quarter in which it receives the licensee's report. Under limited circumstances, the Company may also recognize prepaid post-production royalties as revenue upon execution of the contract, which are paid in a lump sum after the licensee commences production of the royalty-bearing product and applied against future unit shipments regardless of the actual level of shipments by the licensee. The criteria for revenue recognition of prepaid royalties are that a formal agreement with the licensee is executed, no deliverables, development or support services related to prepaid royalties are required, the fees are non-refundable and not contingent upon future product shipments by the licensee, and the fees are payable by the licensee in a time period consistent with the Company's normal billing terms. If any of these criteria are not met, the Company defers revenue recognition until such time as all criteria have been met.

Table of Contents

IC products

The Company sells products both directly to customers, as well as through distributors. Revenue from sales directly to customers is generally recognized at the time of shipment. The Company records an estimated allowance, at the time of shipment, for future returns and other charges against revenue consistent with the terms of sale. IC product revenue and costs relating to sales made through distributors with rights of return and stock rotation are deferred until the distributors sell the product to end customers due to the Company's inability to estimate future returns and credits to be issued. Distributors are generally able to return up to 10% of their purchases for slow, non-moving or obsolete inventory for credit every six months. At the time of shipment to distributors, an accounts receivable for the selling price is recorded, as there is a legally enforceable right to receive payment, and inventory is relieved, as legal title to the inventory is transferred upon shipment. Revenues are recognized upon receiving notification from the distributors that products have been sold to end customers. Distributors provide information regarding products and quantity, end customer shipments and remaining inventory on hand. The associated deferred margin is included in the deferred revenues line item in the condensed consolidated balance sheet. The Company recorded initial IC product revenue in 2012, and a significant reserve for returns has been recorded due to the product's early stage of testing and deployment in customer systems. IC product revenue was not significant for the three and nine months ended September 30, 2013 and 2012, and has been included in the licensing and other revenue line item in the condensed consolidated statements of operations and comprehensive loss.

Cost of Revenue

Cost of licensing and other revenue consists primarily of direct and indirect costs of IC product sales and engineering personnel costs directly related to maintenance and support services specified in licensing agreements. Maintenance and support typically includes engineering support to assist in the commencement of production of a licensee's products.

Goodwill

The Company reviews goodwill for impairment on an annual basis or whenever events or changes in circumstances indicate the carrying value of an asset may not be recoverable. The Company first assesses qualitative factors to determine whether it is more-likely-than-not that the fair value of the reporting unit is less than the carrying amount as a basis for determining whether it is necessary to perform the two-step impairment test. If the qualitative assessment warrants further analysis, the Company compares the fair value of the reporting unit to its carrying value. The fair value of the reporting unit is determined using the market approach. If the fair value of the reporting unit exceeds the carrying value of net assets of the reporting unit, goodwill is not impaired, and the Company is not required to perform further testing. If the carrying value of the reporting unit's goodwill exceeds its implied fair value, then the Company must record an impairment charge equal to the difference. The Company has determined that it has a single reporting unit for purposes of performing its goodwill impairment test. As the Company used the market approach to assess impairment in the second step of the analysis, the price of its common stock is an important component of the fair value calculation. If the Company's stock price continues to experience significant price and volume fluctuations, this will impact the fair value of the reporting unit, which can lead to potential impairment in future periods. The Company performed step one of the annual impairment test in September 2013, and determined that its goodwill was not impaired.

Intangible Assets

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Intangible assets acquired in business combinations are accounted for based on the fair value of assets purchased and are amortized over the period in which economic benefit is estimated to be received. Identifiable intangible assets were as follows (dollar amounts in thousands):

| | | September 30, 2013 | | |
|----------------------|-------------------------|--------------------------------------|-------------------------------------|-----------------------------------|
| | Life (years) | Gross Carrying Amount | Accumulated Amortization | Net Carrying Value |
| Developed technology | 3-5 | \$ 9,240 | \$ 7,921 | \$ 1,319 |
| Patent license | 7 | 780 | 195 | 585 |
| Total | | \$ 10,020 | \$ 8,116 | \$ 1,904 |

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Table of Contents

| | Life (years) | December 31, 2012 | | |
|---|-----------------|-----------------------------|-----------------------------|--------------------------|
| | | Gross Carrying Amount | Accumulated Amortization | Net Carrying Value |
| Developed technology | 3-5 | \$ 9,240 | \$ 7,255 | \$ 1,985 |
| Customer relationships | 3 | 390 | 390 | |
| Subtotal purchased intangible assets | | 9,630 | 7,645 | 1,985 |
| Patent license | 7 | 780 | 111 | 669 |
| Total | | \$ 10,410 | \$ 7,756 | \$ 2,654 |

The related amortization expense was \$0.3 million for each of the three months ended September 30, 2013 and 2012. The related amortization expense was \$0.8 million and \$1.5 million for the nine months ended September 30, 2013 and 2012, respectively. Amortization expense has been included in research and development expense in the condensed consolidated statements of operations and comprehensive loss. The estimated aggregate amortization expense to be recognized in future years is approximately \$0.3 million for the remainder of 2013, \$1.0 million for 2014, \$0.3 million for 2015 and \$0.1 million annually for 2016 through 2018.

Per Share Amounts

Basic net loss per share is computed by dividing net loss for the period by the weighted-average number of shares of common stock outstanding during the period. Diluted net loss per share gives effect to all potentially dilutive common shares outstanding during the period. Potentially dilutive common shares consist of incremental shares of common stock issuable upon the exercise of stock options, vesting of stock awards and purchases under the employee stock purchase plan. As of September 30, 2013 and 2012, stock awards to purchase approximately 10,662,000 and 10,990,000 shares, respectively, were excluded from the computation of diluted net loss per share as their inclusion would be anti-dilutive.

Comprehensive Loss

Comprehensive loss includes unrealized gains and losses on available-for-sale securities. Realized gains and losses on available-for-sale securities are reclassified from accumulated other comprehensive loss and included in other income, net in the condensed consolidated statements of operations and comprehensive loss.

Note 2. Fair Value of Financial Instruments

The estimated fair values of financial instruments outstanding were as follows (in thousands):

| | Cost | September 30, 2013 | | Fair Value |
|---------------------------|----------|---------------------|----------------------|---------------|
| | | Unrealized Gains | Unrealized Losses | |
| Cash and cash equivalents | \$ 2,174 | \$ | \$ | \$ 2,174 |

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Short-term investments:

| | | | | | | | | |
|---------------------------------|----|--------|----|----|----|-----|----|--------|
| U.S. government debt securities | \$ | 20,753 | \$ | 12 | \$ | (3) | \$ | 20,762 |
| Corporate notes | | 7,643 | | 2 | | (1) | | 7,644 |
| Certificates of deposit | | 5,005 | | 1 | | (3) | | 5,003 |
| Total short-term investments | \$ | 33,401 | \$ | 15 | \$ | (7) | \$ | 33,409 |

Long-term investments:

| | | | | | | | | |
|---------------------------------|----|--------|----|---|----|------|----|--------|
| U.S. government debt securities | \$ | 5,220 | \$ | 3 | \$ | (1) | \$ | 5,222 |
| Corporate notes | | 10,307 | | 1 | | (13) | | 10,295 |
| Certificates of deposit | | 2,160 | | 1 | | (7) | | 2,154 |
| Total long-term investments | \$ | 17,687 | \$ | 5 | \$ | (21) | \$ | 17,671 |

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Table of Contents

| | Cost | December 31, 2012 | | Fair Value |
|---------------------------------|-----------|-------------------|-------------------|------------|
| | | Unrealized Gains | Unrealized Losses | |
| Cash and cash equivalents | \$ 2,529 | \$ | \$ | \$ 2,529 |
| Short-term investments: | | | | |
| U.S. government debt securities | \$ 15,852 | \$ 6 | \$ (2) | \$ 15,856 |
| Corporate notes | 14,471 | 8 | (4) | 14,475 |
| Certificates of deposit | 467 | | | 467 |
| Total short-term investments | \$ 30,790 | \$ 14 | \$ (6) | \$ 30,798 |
| Long-term investments: | | | | |
| U.S. government debt securities | \$ 6,330 | \$ 2 | \$ | \$ 6,332 |
| Corporate notes | 1,050 | 1 | | 1,051 |
| Total long-term investments | \$ 7,380 | \$ 3 | \$ | \$ 7,383 |

The estimated fair values of available-for-sale securities with unrealized losses were as follows (in thousands):