XOMA Corp
Form 10-Q
November 06, 2015
UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2015

or

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____to_____

Commission File No. 0-14710

XOMA Corporation

(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	52-2154066 (I.R.S. Employer Identification No.)
2910 Seventh Street, Berkeley, California 94710 (Address of principal executive offices, including zip code)	(510) 204-7200 (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. Yes x No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act).

Large accelerated filer	o	Accelerated filer	x
Non-accelerated filer	o (Do not check if a smaller reporting company)	Smaller reporting company	o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act of 1934). Yes o No x

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at November 2, 2015
Common Stock, $0.0075 par value	118,814,763

XOMA CORPORATION

FORM 10-Q

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PART I - FINANCIAL INFORMATION

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

XOMA CORPORATION

CONDENSED CONSOLIDATED BALANCE SHEETS

(in thousands, except share and per share amounts)

	September 30, 2015 (unaudited)	December 31, 2014 (Note 1)
ASSETS		
Current assets:		
Cash and cash equivalents	$32,046	$78,445
Trade and other receivables, net	39,343	3,309
Prepaid expenses and other current assets	2,878	1,859
Total current assets	74,267	83,613
Property and equipment, net	4,097	5,120
Other assets	664	669
Total assets	$79,028	$89,402
LIABILITIES AND STOCKHOLDERS' (DEFICIT) EQUITY		
Current liabilities:		
Accounts payable	$5,665	$5,990
Accrued and other liabilities	9,680	9,892
Deferred revenue – current	39,345	1,089
Interest bearing obligations – current	4,123	19,018
Accrued interest on interest bearing obligations – current	324	257
Total current liabilities	59,137	36,246
Deferred revenue – long-term	—	1,939
Interest bearing obligations – long-term	44,462	16,290
Contingent warrant liabilities	4,070	31,828
Other liabilities - long term	549	—
Total liabilities	108,218	86,303
Commitments and Contingencies (Note 8)		
Stockholders' (deficit) equity:		
Preferred stock, $0.05 par value, 1,000,000 shares authorized, 0 issued and outstanding	—	—
Common stock, $0.0075 par value, 277,333,332 shares authorized, 118,796,332	891	869

and 115,892,450 shares issued and outstanding at September 30, 2015 and December 31, 2014, respectively		
Additional paid-in capital	1,135,354	1,121,707
Accumulated deficit	(1,165,435)	(1,119,477)
Total stockholders' (deficit) equity	(29,190)	3,099
Total liabilities and stockholders' (deficit) equity	$79,028	$89,402

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

(Note 1) The condensed consolidated balance sheet as of December 31, 2014 has been derived from the audited consolidated financial statements as of that date included in the Company's Annual Report on Form 10-K for the year ended December 31, 2014.

XOMA CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(unaudited)

(in thousands, except per share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Revenues:				
License and collaborative fees	$645	$2,450	$1,852	$4,615
Contract and other	1,429	2,686	5,412	9,903
Total revenues	2,074	5,136	7,264	14,518
Operating expenses:				
Research and development	17,559	20,235	57,255	61,371
Selling, general and administrative	5,632	5,354	15,913	15,768
Restructuring	2,561	—	2,561	84
Total operating expenses	25,752	25,589	75,729	77,223
Loss from operations	(23,678)	(20,453)	(68,465)	(62,705)
Other income (expense):				
Interest expense	(1,030)	(1,060)	(3,152)	(3,295)
Other income (expense), net	(194)	1,393	1,453	1,332
Revaluation of contingent warrant liabilities	24,422	5,721	24,206	33,685
Net loss	$(480)	$(14,399)	$(45,958)	$(30,983)
Basic net loss per share of common stock	$(0.00)	$(0.13)	$(0.39)	$(0.29)
Diluted net loss per share of common stock	$(0.00)	$(0.17)	$(0.39)	$(0.55)
Shares used in computing basic net loss per share of common stock	118,552	107,208	117,437	106,768
Shares used in computing diluted net loss per share of common stock	118,552	114,323	117,437	114,876
Other comprehensive loss:				
Net loss	$(480)	$(14,399)	$(45,958)	$(30,983)
Net unrealized (loss) gain on available-for-sale securities	—	(2)	—	5
Comprehensive loss	$(480)	$(14,401)	$(45,958)	$(30,978)

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

XOMA CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited)

(in thousands)

	Nine Months Ended September 30,	
	2015	2014
Cash flows used in operating activities:		
Net loss	$(45,958)	$(30,983)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	1,319	1,398
Common stock contribution to 401(k)	986	870
Stock-based compensation expense	8,318	9,885
Revaluation of contingent warrant liabilities	(24,206)	(33,685)
Amortization of debt discount, final payment fee on debt, and debt issuance costs	1,030	2,041
Loss on loan extinguishment	429	—
Gain on sale and retirement of property and equipment	(18)	—
Unrealized gain on foreign currency exchange	(1,344)	(1,541)
Unrealized loss on foreign exchange options	5	326
Other non-cash adjustments	—	(5)
Changes in assets and liabilities:		
Trade and other receivables, net	(36,034)	361
Prepaid expenses and other current assets	(1,019)	(930)
Accounts payable and accrued liabilities	(365)	(4,392)
Accrued interest on interest bearing obligations	181	(1,628)
Deferred revenue	36,468	(2,534)
Other liabilities	549	(86)
Net cash used in operating activities	(59,659)	(60,903)
Cash flows from investing activities:		
Proceeds from maturities of investments	—	15,000
Net purchase of property and equipment	(466)	(227)
Proceeds from sale of property and equipment	18	—
Net cash (used in) provided by investing activities	(448)	14,773
Cash flows from financing activities:		
Proceeds from issuance of common stock, net of issuance costs	360	3,523
Proceeds from exercise of warrants	1	35
Proceeds from issuance of long term debt	20,000	—
Debt issuance costs and loan fees	(512)	—
Principal payments of debt	(6,128)	(4,875)
Net cash provided by (used in) financing activities	13,721	(1,317)

Effect of exchange rate changes on cash	(13)	(152)
Net decrease in cash and cash equivalents	(46,399)	(47,599)
Cash and cash equivalents at the beginning of the period	78,445	101,659
Cash and cash equivalents at the end of the period	$32,046	$54,060
Supplemental Cash Flow Information:		
Cash paid for interest	$1,452	$2,848
Non-cash financing activities:		
Reclassification of contingent warrant liability to equity upon exercise of warrants	$(3,552)	$(2,526)
Interest added to principal balances on long-term debt	$159	$157
Issuance of common stock warrants in connection with Hercules Term Loan	$450	$—

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

XOMA CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

1. Description of Business

XOMA Corporation ("XOMA" or the "Company"), a Delaware corporation, combines a portfolio of clinical programs and research activities to develop innovative therapeutic antibodies that it intends to commercialize. XOMA focuses its scientific research on allosteric modulation, which offers opportunities for new classes of therapeutic antibodies to treat a wide range of human diseases. XOMA's scientific research has produced six product candidates to treat diseases within the endocrine therapeutic area. These include candidates from the XMet platform, which consists of several Selective Insulin Receptor Modulator antibodies that could offer new approaches in the treatment of metabolic diseases. The lead compound from the XMet platform, XOMA 358, is a fully human monoclonal allosteric modulating antibody that binds to insulin receptors and attenuates insulin action. XOMA intends to investigate this compound as a novel treatment for non-drug-induced, endogenous hyperinsulinemic hypoglycemia (low blood glucose caused by excessive insulin produced by the body). In October 2015, the Company initiated a Phase 2 proof-of-concept study for XOMA 358 in patients with congenital hyperinsulinemia. XOMA's endocrine portfolio also includes a Phase 2 ready product candidate targeting the prolactin receptor as well as other preclinical or research stage programs. XOMA is also engaged in Phase 3 development for gevokizumab, an interleukin-1 ("IL-1 ") modulating antibody, in pyoderma gangrenosum ("PG"), a rare ulcerative skin disease. The Company's products are presently in various stages of development and are subject to regulatory approval before they can be commercially launched.

On July 22, 2015, the Company announced the Phase 3 EYEGUARD-B study of gevokizumab in patients with Behçet's disease uveitis, run by Les Laboratoires Servier and Institut de Recherches Servier ("Servier"), its partner for gevokizumab, did not meet the primary endpoint of time to first acute ocular exacerbation. In August 2015, XOMA announced its intention to end the EYEGUARD global Phase 3 program. In September 2015, Servier notified XOMA of its intention to terminate the Amended and Restated Collaboration and License Agreement dated February 14, 2012, as later amended on November 4, 2014 and January 9, 2015 (the "Collaboration Agreement"), and return the gevokizumab rights to XOMA. Termination of the Collaboration Agreement will be effective on March 25, 2016. Servier and XOMA are in the process of closing down the EYEGUARD clinical sites in an orderly manner such that if any of the data is positive it may be useful in the future.

Liquidity and Management Plans

The Company has incurred operating losses since its inception and had an accumulated deficit of $1.2 billion at September 30, 2015. Management expects operating losses and negative cash flows to continue for the foreseeable future. As of September 30, 2015, the Company had $32.0 million in cash and cash equivalents, which is available to fund future operations. On September 30, 2015, the Company entered into a license agreement with Novartis International Pharmaceutical Ltd. ("Novartis") under which XOMA will receive a $37.0 million upfront license fee, which was reported as accounts receivable in the condensed consolidated balance sheet as of September 30, 2015 (see Note 4). In addition, Novartis Vaccines and Diagnostics, Inc. ("NVDI") amended the secured note agreement and extended the maturity date of the Company's outstanding debt of $13.5 million, previously due on September 30, 2015, to September 30, 2020 (see Note 7). Taking into account the receipt of the $37.0 million license fee in October 2015,

the deferral of $13.5 million in debt, and certain cost cutting measures enacted by the Company in the second half of 2015, the Company expects it has adequate funds to maintain operations for a period of at least 12 months following the end of the third quarter of 2015.

2. Basis of Presentation and Significant Accounting Policies

Basis of Presentation

The condensed consolidated financial statements include the accounts of XOMA and its subsidiaries. All intercompany accounts and transactions among consolidated entities were eliminated during consolidation. The unaudited financial statements were prepared in accordance with generally accepted accounting principles ("GAAP") in the United States for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. As permitted under those rules certain footnotes or other financial information can be condensed or omitted. These financial statements and related disclosures have been prepared with the assumption that users of the interim financial information have read or have access to the audited financial statements for the preceding fiscal year. Accordingly, these statements should be read in conjunction with the audited consolidated financial statements and related notes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2014, filed with the U.S. Securities and Exchange Commission ("SEC") on March 11, 2015.

XOMA CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

These financial statements have been prepared on the same basis as the Company's annual financial statements and, in the opinion of management, reflect all adjustments, consisting only of normal recurring adjustments, that are necessary for a fair statement of the Company's financial information. The interim results of operations are not necessarily indicative of the results that may be expected for the full fiscal year or any other periods.

Use of Estimates

The preparation of financial statements in conformity with GAAP in the United States requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses, and related disclosures. On an on-going basis, management evaluates its estimates including, but not limited to, those related to contingent warrant liabilities, revenue recognition, debt amendments, research and development expense, long-lived assets, restructuring liabilities, legal contingencies, derivative instruments and stock-based compensation. The Company bases its estimates on historical experience and on various other market-specific and other relevant assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ significantly from these estimates, such as the Company's billing under government contracts and the Company's accrual for clinical trial expenses. Under the Company's contracts with the National Institute of Allergy and Infectious Diseases ("NIAID"), a part of the National Institutes of Health ("NIH"), the Company bills using NIH provisional rates and thus is subject to future audits at the discretion of NIAID's contracting office. These audits can result in an adjustment to revenue previously reported which potentially could be significant. The Company's accrual for clinical trials is based on estimates of the services received and efforts expended pursuant to contracts with clinical trial centers and clinical research organizations. Payments under the contracts depend on factors such as the achievement of certain events, successful enrollment of patients, and completion of portions of the clinical trial or similar conditions.

Reclassifications

Certain reclassifications of prior period amounts have been made to the financial statements and accompanying notes to conform to the current period presentation. These reclassifications had no impact on the Company's previously reported net loss or cash flows. The Company early adopted Accounting Standards Update ("ASU") 2015-03, Interest—Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs ("ASU 2015-03"), effective January 1, 2015. As a result, debt issuance costs of $0.2 million as of December 31, 2014, have been reclassified from prepaid expenses and other current assets to interest bearing obligations – current in the accompanying condensed consolidated balance sheet as of December 31, 2014. The Company had no long-term debt issuance costs as of December 31, 2014.

Revenue Recognition

Revenue is recognized when the four basic criteria of revenue recognition are met: (1) persuasive evidence of an arrangement exists; (2) delivery has occurred or services have been rendered; (3) the fee is fixed or determinable; and (4) collectability is reasonably assured. The determination of criteria (2) is based on management's judgments regarding whether a continuing performance obligation exists. The determination of criteria (3) and (4) are based on management's judgments regarding the nature of the fee charged for products or services delivered and the

collectability of those fees. Allowances are established for estimated uncollectible amounts, if any.

The Company recognizes revenue from its license and collaboration arrangements, contract services, product sales and royalties. Revenue arrangements with multiple elements are divided into separate units of accounting if certain criteria are met, including whether the delivered element has stand-alone value to the customer. Each deliverable in the arrangement is evaluated to determine whether it meets the criteria to be accounted for as a separate unit of accounting or whether it should be combined with other deliverables. In order to account for the multiple-element arrangements, the Company identifies the deliverables included within the arrangement and evaluates which deliverables represent separate units of accounting. Analyzing the arrangement to identify deliverables requires the use of judgment, and each deliverable may be an obligation to deliver services, a right or license to use an asset, or another performance obligation. The consideration received is allocated among the separate units of accounting based on their respective fair values and the applicable revenue recognition criteria are applied to each of the separate units. Advance payments received in excess of amounts earned are classified as deferred revenue until earned.

XOMA CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

License and Collaborative Fees

Revenue from non-refundable up-front license, technology access or other payments under license and collaborative agreements where the Company has a continuing obligation to perform is recognized as revenue over the estimated period of the continuing performance obligation. The Company estimates the performance period at the inception of the arrangement and reevaluates it each reporting period. Management makes its best estimate of the period over which it expects to fulfill the performance obligations, which may include clinical development activities. Given the uncertainties of research and development collaborations, significant judgment is required to determine the duration of the performance period. This reevaluation may shorten or lengthen the period over which the remaining revenue is recognized. Changes to these estimates are recorded on a prospective basis.

License and collaboration agreements with certain third parties also provide for contingent payments to be paid to XOMA based solely upon the performance of the partner. For such contingent payments, revenue is recognized upon completion of the milestone event, once confirmation is received from the third party, provided that collection is reasonably assured and the other revenue recognition criteria have been satisfied. Milestone payments that are not substantive or that require a continuing performance obligation on the part of the Company are recognized over the expected period of the continuing performance obligation. Amounts received in advance are recorded as deferred revenue until the related milestone is completed.

Contract and Other Revenues

Contract revenue for research and development involves the Company providing research and development and manufacturing services to collaborative partners, biodefense contractors or others. Cost reimbursement revenue under collaborative agreements is recorded as Contract and Other Revenues and is recognized as the related research and development costs are incurred, as provided for under the terms of these agreements. Revenue for certain contracts is accounted for by a proportional performance, or output-based, method where performance is based on estimated progress toward elements defined in the contract. The amount of contract revenue and related costs recognized in each accounting period are based on management’s estimates of the proportional performance during the period. Adjustments to estimates based on actual performance are recognized on a prospective basis and do not result in reversal of revenue should the estimate to complete be extended.

Up-front fees associated with contract revenue are recorded as License and Collaborative Fees and are recognized in the same manner as the final deliverable, which is generally ratably over the period of the continuing performance obligation. Given the uncertainties of research and development collaborations, significant judgment is required to determine the duration of the arrangement.

Royalty revenue and royalty receivables are recorded in the periods these royalty amounts are earned, if estimable and collectability is reasonably assured. The royalty revenue and receivables recorded in these instances are based upon communication with collaborative partners or licensees, historical information and forecasted sales trends.

Research and Development Expenses

The Company expenses research and development costs as incurred. Research and development expenses consist of direct costs such as salaries and related personnel costs, and material and supply costs, and research-related allocated overhead costs, such as facilities costs. In addition, research and development expenses include costs related to clinical trials. From time to time, research and development expenses may include upfront fees and milestones paid to collaborative partners for the purchase of rights to in-process research and development. Such amounts are expensed as incurred.

The Company's accrual for clinical trials is based on estimates of the services received and efforts expended pursuant to contracts with clinical trial centers and clinical research organizations. The Company may terminate these contracts upon written notice and is generally only liable for actual effort expended by the organizations to the date of termination, although in certain instances the Company may be further responsible for termination fees and penalties. The Company makes estimates of its accrued expenses as of each balance sheet date based on the facts and circumstances known to the Company at that time. Expenses resulting from clinical trials are recorded when incurred based, in part on estimates as to the status of the various trials.

Restructuring Costs

Restructuring costs, which primarily include termination benefits and contract termination costs, are recorded at estimated fair value. Key assumptions in determining the restructuring costs include the terms and payments that may be negotiated to terminate certain contractual obligations and the timing of employees leaving the Company.

XOMA CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

Warrants

The Company has issued warrants to purchase shares of its common stock in connection with financing activities. The Company accounts for some of these warrants as a liability at fair value and others as equity at fair value. The fair value of the outstanding warrants is estimated using the Black-Scholes Option Pricing Model (the "Black-Scholes Model"). The Black-Scholes Model requires inputs such as the expected term of the warrants, expected volatility and risk-free interest rate. These inputs are subjective and require significant analysis and judgment to develop. For the estimate of the expected term, the Company uses the full remaining contractual term of the warrant. The Company determines the expected volatility assumption in the Black-Scholes Model based on historical stock price volatility observed on XOMA's underlying stock. The assumptions associated with contingent warrant liabilities are reviewed each reporting period and changes in the estimated fair value of these contingent warrant liabilities are recognized in revaluation of contingent warrant liabilities within the consolidated statements of comprehensive loss.

Concentration of Risk

Cash equivalents and receivables are financial instruments, which potentially subject the Company to concentrations of credit risk, as well as liquidity risk for certain cash equivalents, such as money market funds. The Company has not encountered any such liquidity issues during 2015.

The Company has not experienced any significant credit losses and does not generally require collateral on receivables. For the three and nine months ended September 30, 2015, two customers represented 57% and 20%, and 59% and 22% of total revenue, respectively. For the three and nine months ended September 30, 2014, three customers represented 19%, 21% and 41%, and 10%, 27% and 50% of total revenue, respectively. As of September 30, 2015 and December 31, 2014, one customer represented 94% and three customers represented 44%, 34% and 12% of the trade and other receivables balance, respectively.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued guidance codified in Accounting Standards Codification ("ASC") 606, Revenue Recognition — Revenue from Contracts with Customers ("ASC 606"), which amends the guidance in ASC 605, Revenue Recognition. The standard's core principle is that a company will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. In August 2015, the FASB issued an accounting update to defer the effective date by one year for public entities for annual and interim periods beginning after December 15, 2017. Early adoption is permitted for periods beginning after December 15, 2016. Entities would have the option of using either a full retrospective or a modified retrospective approach to adopt this new guidance. The Company is currently evaluating the impact of the adoption of the standard on its condensed consolidated financial statements.

In August 2014, the FASB issued ASU No. 2014-15, Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern ("ASU 2014-15"). This ASU introduces an explicit requirement for management to assess if there is substantial doubt about an entity's ability to continue as a going concern, and to provide related footnote disclosures in certain circumstances. In connection with each annual and interim period, management must assess if there is

substantial doubt about an entity’s ability to continue as a going concern within one year after the issuance date. Disclosures are required if conditions give rise to substantial doubt. ASU 2014-15 is effective for all entities in the first annual period ending after December 15, 2016. The Company is currently assessing the potential effects of this ASU on its condensed consolidated financial statements.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

In April 2015, the FASB issued ASU 2015-03, which requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The Company early adopted ASU 2015-03 as of January 1, 2015, as permitted. There is no impact of early adoption of ASU 2015-03 on the condensed consolidated statements of comprehensive loss. The impact of early adoption on the condensed consolidated balance sheets for the periods presented is noted in the table below (in thousands):

	September 30, 2015			December 31, 2014		
	Prior to Adoption of ASU 2015-03	ASU 2015-03 Adjustment	As Adopted	Prior to Adoption of ASU 2015-03	ASU 2015-03 Adjustment	As Adopted
Prepaid expenses and other current assets	$3,069	$ (191)	$2,878	$2,088	$ (229)	$1,859
Total current assets	$74,458	$ (191)	$74,267	$83,842	$ (229)	$83,613
Other assets	$882	$ (218)	$664	$669	$ —	$669
Total assets	$79,437	$ (409)	$79,028	$89,631	$ (229)	$89,402
Interest bearing obligations – current	$4,314	$ (191)	$4,123	$19,247	$ (229)	$19,018
Total current liabilities	$59,328	$ (191)	$59,137	$36,475	$ (229)	$36,246
Interest bearing obligations – long-term	$44,680	$ (218)	$44,462	$16,290	$ —	$16,290
Total liabilities	$108,627	$ (409)	$108,218	$86,532	$ (229)	$86,303

3. Condensed Consolidated Financial Statements Detail

Net Loss Per Share of Common Stock

Basic net loss per share of common stock is based on the weighted average number of shares of common stock outstanding during the period. Diluted net loss per share of common stock is based on the weighted average number of shares of common stock outstanding during the period, adjusted to include the assumed conversion of certain stock options, restricted stock units (“RSUs”), and warrants for common stock. The calculation of diluted loss per share of common stock also requires that, to the extent the average market price of the underlying shares for the reporting period exceeds the exercise price of the warrants and the presumed exercise of such securities are dilutive to earnings (loss) per share for the period, adjustments to net income or net loss used in the calculation are required to remove the change in fair value of the warrants for the period. Likewise, adjustments to the denominator are required to reflect the related dilutive shares.

Potentially dilutive securities are excluded from the calculation of diluted net loss per share of common stock if their inclusion is anti-dilutive. The following table shows the weighted-average outstanding securities considered anti-dilutive and therefore excluded from the computation of diluted net loss per share of common stock (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Common stock options and RSUs	10,972	8,037	9,623	6,601
Warrants for common stock	18,166	1,910	18,166	1,910
Total	29,138	9,947	27,789	8,511

XOMA CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

The following is a reconciliation of the numerators and denominators of the basic and diluted net loss per share of common stock (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Numerator				
Net loss				
Basic	$ (480)	$ (14,399)	$ (45,958)	$ (30,983)
Adjustment for revaluation of contingent warrant liabilities	—	(5,360)	—	(32,510)
Diluted	$ (480)	$ (19,759)	$ (45,958)	$ (63,493)
Denominator				
Weighted average shares outstanding used for basic net loss per share	118,552	107,208	117,437	106,768
Effect of dilutive warrants	—	7,115	—	8,108
Weighted average shares outstanding and dilutive securities used for diluted net loss per share	118,552	114,323	117,437	114,876

Cash and Cash Equivalents

As of September 30, 2015, cash and cash equivalents consisted of demand deposits of $20.0 million and money market funds of $12.1 million with