QUICKLOGIC CORPORATION
Form 10-Q
May 10, 2018
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q
(Mark One)

[x] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended April 1, 2018
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: 000-22671

QUICKLOGIC CORPORATION
(Exact name of registrant as specified in its charter)

DELAWARE	77-0188504
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1277 ORLEANS DRIVE, SUNNYVALE, CA 94089
(Address of principal executive offices, including Zip Code)
(408) 990-4000
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [x] No [ ]

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, a smaller reporting company, or an emerging growth company. See definition of “large accelerated filer,” “accelerated filer”, “smaller reporting company” and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	[ ]	Accelerated Filer	[x]
Non-accelerated filer	[ ] (Do not check if a smaller reporting company)	Smaller Reporting Company	[ ]
Emerging growth company	[ ]		

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 [ ]

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Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Securities Exchange Act). Yes [ ] No [x]
As of May 4, 2018, the registrant had outstanding 80,674,812 shares of common stock, par value $0.001.

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QUICKLOGIC CORPORATION
FORM 10-Q
April 1, 2018

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PART I. Financial Information

Item 1. Financial Statements

QUICKLOGIC CORPORATION
UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except par value amount)

	April 1, 2018	December 31, 2017
ASSETS		
Current assets:		
Cash and cash equivalents	$12,561	$ 16,527
Accounts receivable, net of allowances for doubtful accounts of $0	1,254	925
Inventories	3,550	3,559
Other current assets	1,426	997
Total current assets	18,791	22,008
Property and equipment, net	2,117	2,375
Other assets	255	253
TOTAL ASSETS	$21,163	$ 24,636
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Revolving line of credit	$6,000	$ 6,000
Trade payables	1,292	1,437
Accrued liabilities	1,982	1,653
Current portion of capital lease obligations	296	299
Total current liabilities	9,570	9,389
Long-term liabilities:		
Capital lease obligations, less current portion	235	355
Other long-term liabilities	65	14
Total liabilities	9,870	9,758
Commitments and contingencies (see Note 12)		
Stockholders' equity:		
Preferred stock, $0.001 par value; 10,000 shares authorized; no shares issued and outstanding	—	—
Common stock, $0.001 par value; 200,000 authorized; 80,628 and 80,536 shares issued and outstanding as of April 1, 2018 and December 31, 2017, respectively	80	80
Additional paid-in capital	269,218	268,833
Accumulated deficit	(258,005)	(254,035)
Total stockholders' equity	11,293	14,878
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$21,163	$ 24,636

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

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QUICKLOGIC CORPORATION
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share amounts)

	Three Months Ended	
	April 1, 2018	April 2, 2017
Revenue	$2,764	$3,170
Cost of revenue	1,375	1,797
Gross profit	1,389	1,373
Operating expenses:		
Research and development	2,699	2,427
Selling, general and administrative	2,561	2,414
Total operating expenses	5,260	4,841
Loss from operations	(3,871)	(3,468)
Interest expense	(24)	(61)
Interest income and other (expense), net	(14)	—
Loss before income taxes	(3,909)	(3,529)
Provision for income taxes	61	36
Net loss	$(3,970)	$(3,565)
Net loss per share:		
Basic and Diluted	$(0.05)	$(0.05)
Weighted average shares:		
Basic and Diluted	80,571	68,794

Note: Net loss equals to comprehensive loss for the three months ended April 1, 2018 and April 2, 2017.
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See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

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QUICKLOGIC CORPORATION
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	April 1, 2018	April 2, 2017
Cash flows from operating activities:		
Net loss	$(3,970)	$(3,565)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	339	355
Stock-based compensation	432	318
Write-down of inventories	42	104
Write-off of equipment	5	—
Changes in operating assets and liabilities:		
Accounts receivable	(329)	(968)
Inventories	(33)	(948)
Other assets	(609)	183
Trade payables	(6)	267
Accrued liabilities	324	75
Deferred revenue	—	317
Other long-term liabilities	51	(4)
Net cash used in operating activities	(3,754)	(3,866)
Cash flows from investing activities:		
Capital expenditures for property and equipment	(48)	(15)
Net cash used in investing activities	(48)	(15)
Cash flows from financing activities:		
Payment of capital lease obligations	(123)	(122)
Proceeds from line of credit	6,000	—
Payment of line of credit	(6,000)	—
Proceeds from issuance of common stock	—	17,069
Stock issuance costs	—	(1,242)
Taxes for net issuance of stock awards	(41)	(20)
Net cash (used in) provided by financing activities	(164)	15,685
Net (decrease) increase in cash and cash equivalents	(3,966)	11,804
Cash and cash equivalents at beginning of period	16,527	14,870
Cash and cash equivalents at end of period	$12,561	$26,674
Supplemental schedule of non-cash investing and financing activities :		
Capital lease obligation to finance capital expenditures	$531	$213
Purchase of equipment included in accounts payable	$38	$15

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

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QUICKLOGIC CORPORATION
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 1 — The Company and Basis of Presentation

QuickLogic Corporation ("QuickLogic" or "the Company") was founded in 1988 and reincorporated in Delaware in 1999. The Company enables Original Equipment Manufacturers, or OEMs to maximize battery life for highly differentiated, immersive user experiences with Smartphone, Wearable, Hearable, Tablet and Internet-of-Things, or IoT devices. QuickLogic delivers these benefits through industry leading ultra-low power customer programmable System on Chip, or SoC semiconductor solutions, embedded software, and algorithm solutions for always-on voice and sensor processing, and enhanced visual experiences. The Company is a fabless semiconductor provider of comprehensive, flexible sensor processing solutions, ultra-low power display bridges, and ultra-low power Field Programmable Gate Arrays, or FPGAs.

The accompanying interim condensed consolidated financial statements are unaudited. In the opinion of management, these statements have been prepared in accordance with United States generally accepted accounting principles, or U.S. GAAP, and include all adjustments, consisting only of normal recurring adjustments, necessary to provide a fair statement of results for the interim periods presented. The Company recommends that these interim condensed consolidated financial statements be read in conjunction with the Company's Form 10-K for the year ended December 31, 2017, which was filed with the Securities and Exchange Commission, or SEC, on March 9, 2018. Operating results for the three-month period ended April 1, 2018 are not necessarily indicative of the results that may be expected for the full year.

QuickLogic's fiscal year ends on the Sunday closest to December 31 and the fiscal quarters each end on the Sunday closest to the end of each calendar quarter. QuickLogic's first fiscal quarters for 2018 and for 2017 ended on April 1, 2018 and April 2, 2017, respectively.

Liquidity

The Company has financed its operations and capital investments through sales of common stock, capital and operating leases, and bank lines of credit. As of April 1, 2018, the Company's principal sources of liquidity consisted of cash and cash equivalents of $12.6 million and $6.0 million that is available for draw at the Company's election upon credit approval under its revolving line of credit arrangement with Silicon Valley Bank, which expires on September 24, 2018. The Company has drawn down all of the $6.0 million in currently available credit under its revolving line of credit as of April 1, 2018.

Under its Fourth Amendment to the Third Amended and Restated Loan and Security Agreement with its lender, the Company is required to maintain (i) unrestricted cash or cash equivalents at the Silicon Valley Bank or at any of its affiliates at all times in an amount of at least $6,000,000; and (ii) a ratio of quick assets to the results of (i) current liabilities minus (ii) the current portion of deferred revenue plus (iii) the long-term portion of the obligations of at least 1.40 to 1.00, tested as of the last day of each month. This line of credit provides for committed loan advances of up to $6.0 million, subject to increases at the Company's election of up to $12.0 million. The Company is in compliance with all loan covenants as of the end of the current reporting period.

On March 28, 2017, the Company issued 11.3 million shares of common stock at a price of $1.50 per share, $0.001 par value. The Company received net proceeds of approximately $15.2 million, after deducting underwriting commissions and other offering-related expenses. The Company uses the net proceeds for working capital, to accelerate the development of next generation products and for general corporate purposes. The Company may also use a portion of the net proceeds to acquire and/or license technologies and acquire and/or invest in businesses when the opportunity arises; however, the Company currently has no commitments or agreements and are not involved in any negotiations with respect to any such transactions. The shares were offered pursuant to a shelf registration statement filed on December 9, 2016 with the SEC, as amended on March 15, 2017, which was declared effective by the SEC on March 16, 2017, and as supplemented by a prospectus supplement dated March 23, 2017, which were filed with the SEC pursuant to Rule 424(b) under the Securities Act of 1933, as amended.

The Company currently uses its cash to fund its capital expenditures and operations. Based on past operating performance and current annual operating plans, the Company believes that its existing cash and cash equivalents, together with available financial resources from the revolving line of credit with Silicon Valley Bank, will be sufficient to fund its operations and capital expenditures and provide adequate working capital for the next twelve months from the date the unaudited condensed consolidated financial statements as of and for the three-month period ended April 1, 2018 are available to be issued.

The Company's liquidity is affected by many factors including, among others: the level of revenue and gross profit as a result of the cyclicality of the semiconductor industry; the conversion of design opportunities into revenue; market acceptance of existing and new products, including solutions based on its Sensor Processing solution platforms; fluctuations in revenue as a result of product end-of-life; fluctuations in revenue as a result of the stage in the product life cycle of its customers' products; costs of securing access to and availability of adequate manufacturing capacity; levels of inventories; wafer purchase commitments; customer credit terms; the amount and timing of research and development expenditures; the timing of new product introductions; production volumes; product quality; sales and marketing efforts; the value and liquidity of its investment portfolio; changes in operating assets and liabilities; the ability to obtain or renew debt financing and to remain in compliance with the terms of existing credit facilities; the ability to raise funds from the sale of equity in the Company; the issuance and exercise of stock options and participation in the Company's employee stock purchase plan; and other factors related to the uncertainties of the industry and global economics.

Over the longer term, the Company anticipates that sales generated from its new product offerings, existing cash and cash equivalents, together with financial resources from its revolving line of credit with Silicon Valley Bank, assuming renewal of the line of credit or the Company entering into a new debt agreement with an alternative lender prior to the expiration of the revolving line of credit in September 2018, and its ability to raise additional capital in the public capital markets will be sufficient to satisfy its operations and capital expenditures for the next twelve months from the date the unaudited condensed consolidated financial statements as of and for the three-month period ended April 1, 2018 are available to be issued. However, the Company cannot provide any assurance that it will be able to raise additional capital, if required, or that such capital will be available on terms acceptable to the Company. The inability of the Company to generate sufficient sales from its new product offerings and/or raise additional capital if needed could have a material adverse effect on the Company’s operations and financial condition, including its ability to maintain compliance with its lender’s financial covenants.

Principles of Consolidation

The consolidated financial statements include the accounts of QuickLogic and its wholly-owned subsidiaries. All intercompany accounts and transactions have been eliminated.

Foreign Currency

The functional currency of the Company's non-U.S. operations is the U.S. dollar. Accordingly, all monetary assets and liabilities of these foreign operations are translated into U.S. dollars at current period-end exchange rates and non-monetary assets and related elements of expense are translated using historical exchange rates. Income and expense elements are translated to U.S. dollars using the average exchange rates in effect during the period. Gains and losses from the foreign currency transactions of these subsidiaries are recorded as interest income and other expense, net in the unaudited condensed consolidated statements of operations.

Uses of Estimates

The preparation of these consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities and the reported amounts of revenue and expenses during the period. Actual results could differ materially from those estimates, particularly in relation to revenue recognition, the allowance for doubtful accounts, sales returns, valuation of investments, valuation of long-lived assets including mask sets, valuation of inventories including identification of excess quantities, market value and obsolescence, measurement of stock-based compensation awards, accounting for income taxes and estimating accrued liabilities.

Contracts with customers often include promises to transfer multiple products and services to a customer. Determining whether products and services are considered distinct performance obligations that should be accounted for separately versus together may require significant judgment.

Judgment is required to determine the Stand Alone Selling Price, or SSP, for each distinct performance obligation. The Company uses a range of amounts to estimate SSP when each of the products and services are sold separately and determines the discount to be allocated based on the relative SSP of the various products and services when products and services sold are bundled. In instances where SSP is not directly observable, such as when the Company does not sell the product or service separately, it determines the SSP using information that may include market conditions and other observable inputs. The Company typically has more than one SSP for individual products and services due to the stratification of those products and services by customers. In these instances, the Company may use information such as the size of the customer, customer tier, type of the technology used, customer demographics, geographic region and other factors in determining the SSP.

Concentration of Risk

The Company's accounts receivable are denominated in U.S. dollars and are derived primarily from sales to customers located in North America, Asia Pacific, and Europe. The Company performs ongoing credit evaluations of its customers and generally does not require collateral. See Note 11 for information regarding concentrations associated with accounts receivable.

For the three months ended April 1, 2018, 10% of the Company's total revenues were from shipments to Samsung Electronics Co., Ltd. ("Samsung"). See Note 11 for information regarding concentrations associated with customers and distributors.

Note 2 — Significant Accounting Policies

During the three-month period ended April 1, 2018, there were no changes in the Company's significant accounting policies from its disclosures in the Annual Report on Form 10-K for the year ended December 31, 2017. For a discussion of the significant accounting policies, please see the Annual Report on Form 10-K for the fiscal year ended December 31, 2017, filed with the SEC on March 9, 2018.

Revenue Recognition

The Company adopted Accounting Standards Update, or ASU, No. 2014-09, Revenue from Contracts with Customers (Topic 606) and related ASU 2016-08, ASU 2016-10, ASU 2016-12 and ASU 2016-20, which provide supplementary guidance, and clarifications, effective January 1, 2018. The results for the reporting period beginning after January 1, 2018, are presented in accordance with the new standard, although comparative information for the prior year has not been restated and continues to be reported under the accounting standards and policies in effect for those periods. Adoption of the new standard did not have a significant impact on the current period revenues or on the prior year Consolidated Financial Statements. No transition adjustment was required to the retained earnings of the Company as of January 1, 2018. Under the new standard revenue is recognized as follows:

Revenue is recognized upon transfer of control of promised products or services to customers in an amount that reflects the consideration the Company expects to receive in exchange for those products or services.

The Company determines revenue recognition through the following steps:

- Identification of the contract, or contracts, with a customer
- Identification of the performance obligations in the contract
- Determination of the transaction price
- Allocation of the transaction price to the performance obligations in the contract
- Recognition of revenue when, or as, we satisfy a performance obligation

The Company generates most of its revenue by supplying standard hardware products, which must be programmed before they can be used in an application. The Company also generates revenue from licensing their intellectual property or IP, software tools and royalty from licensing its technology.

Product Revenue

The Company recognizes hardware product revenue at the point of time when control of products is transferred to the customers.

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QUICKLOGIC CORPORATION
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS -- (Continued)

Intellectual Property and Software License Revenue

The Company recognizes IP and Software License revenue at the point of time when the control of IP or software license has been transferred.

Maintenance Revenue

The Company recognizes revenue from maintenance ratably over the term of the underlying maintenance contract term. Renewals of maintenance contracts create new performance obligations that are satisfied over the term with the revenues recognized ratably over the term.

Royalty Revenue

The Company recognizes royalty revenue when the later of the following events occurs:
a) The subsequent sale or usage occurs.
b) The performance obligation to which some or all of the sales-based royalty has been allocated has been satisfied.

Contracts with Multiple Performance Obligations

Some of the IP and Software Licensing contracts with customers contain multiple performance obligations. For these contracts, the Company accounts for individual performance obligations separately if they are distinct. The transaction price is allocated to the separate performance obligations on a relative standalone selling price basis. We determine the standalone selling prices based on our overall pricing objectives, taking into consideration market conditions and other factors, including the value of our contracts, type of the customer, customer tier, type of the technology used, customer demographics, geographic locations, and other factors.

Deferred Revenue

When the Company receives consideration, or such consideration is unconditionally due, prior to transferring goods or services to the customer under the terms of a sales contract, the Company records deferred revenue, which represents a contract liability. The Company recognizes deferred revenue as net sales once control of goods and/or services have been transferred to the customer and all revenue recognition criteria have been met and any constraints have been resolved.

Assets Recognized from Costs to Obtain a Contract with a Customer

The Company recognizes an asset for the incremental costs of obtaining a contract with a customer if it expects the benefit of those costs to be longer than one year.

Practical expedients and exemptions

(i) Taxes collected from customers and remitted to government authorities and that are related to the sales of the Company’s products are excluded from revenues.

(ii) Sales commissions are expensed when incurred because the amortization period would have been one year or less. These costs are recorded in Selling, general and administrative expense in the Condensed Consolidated Statements of Income.

(iii) The Company does not disclose the value of unsatisfied performance obligations for (i) contracts with original expected lengths of one year or less or (ii) contracts for which the Company recognizes revenue at the amount to which it has the right to invoice for the services performed.

New Accounting Pronouncements

Recently adopted accounting pronouncements:

In May 2014, the Financial Accounting Standards Board, or FASB issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606), which supersedes nearly all existing revenue recognition guidance under U.S. GAAP. The core principle of ASU No. 2014-09 is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled for those goods or services. ASU No. 2014-09 defines a five-step process to achieve this core principle and, in doing so, more judgment and estimates may be required within the revenue recognition process than are required under existing GAAP. In applying this new guidance to contracts within its scope, an entity will: (1) identify the contract(s) with a customer, (2) identify the performance obligation in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenue when (or as) the entity satisfies a performance obligation. Additionally, this new guidance would require significantly expanded disclosures about revenue. The new standard allows for two transition methods: (i) a full retrospective method applied to each prior reporting period presented, or (ii) a modified retrospective method applied with the cumulative effect of adoption recognized on adoption. ASU 2014-09 is effective for annual reporting periods beginning after December 15, 2017, including interim reporting periods within that reporting period. In March, April, May and December 2016, the FASB issued ASU Nos. 2016-08, 2016-10, 2016-12 and 2016-20, respectively, which provide supplemental guidance and clarification to ASU No. 2014-09.

The Company adopted ASU No. 2014-09 and other supplementary guidance effective January 1, 2018 and applied the modified retrospective approach for the transition. After evaluation of the impact of the transition, the Company determined that this new standard has no impact on the revenues of the prior years and no adjustments are required to the Company's retained earnings as of January 1, 2018.

In August 2016, the FASB issued ASU No. 2016-15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments. This update clarifies how certain cash receipts and cash payments are presented and classified in the statement of cash flows. This ASU is effective for public business entities for fiscal years beginning after December 15, 2017, and for interim periods therein with early adoption permitted and must be applied retrospectively to all periods presented. The Company adopted this Accounting Standard effective January 1, 2018. The Company evaluated the impact on the financial statements and determined that the adoption of ASU No. 2016-15 had no impact on the consolidated financial statements.

In October 2016, the FASB issued ASU No. 2016-16, Income Taxes (Topic 740): Intra-Entity transfers of assets other than inventory. This update removes the requirement under which the income tax consequences of intra-entity transfers are deferred until the assets are ultimately sold to an outside party, except for transfers of inventory. The tax consequences of such transfers would be recognized in tax expense when the transfers occur. The standard is effective for annual reporting periods beginning after December 15, 2017, and interim periods within those annual periods. The Company adopted this Accounting Standard effective January 1, 2018 and determined that the adoption of ASU No. 2016-16 had no impact on the consolidated financial statements.

In May 2017, the FASB issued ASU No. 2017-09, Compensation-Stock Compensation (Topic 718). ASU No. 2017-09 provides clarification on when modification accounting should be used for changes to the terms or conditions of a share-based payment award. This ASU does not change the accounting for modifications but clarifies that modification accounting guidance should only be applied if there is a change to the value, vesting conditions or award classification and would not be required if the changes are considered non-substantive. The amendments of this ASU are effective for reporting periods beginning after December 15, 2017. The Company adopted this Accounting Standard effective January 1, 2018. The Company evaluated the impact on the financial statements and determined that the adoption of ASU No. 2017-09 had no impact on the consolidated financial statements.

Recently issued accounting pronouncements not yet adopted:

In February 2016, the FASB issued ASU No. 2016-02, Leases. The new standard establishes a right-of-use or ROU model that requires a lessee to record a ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Company is currently evaluating the impact of our pending adoption of the new standard on the consolidated financial statements.

In February 2018, FASB issued ASU No. 2018-02, Income Statement - Reporting comprehensive Income. The new standard provides companies with an option to reclassify stranded tax effects resulting from enactment of the Tax Cuts and Jobs Act, or TCJA, from accumulated other comprehensive income to retained earnings. The guidance will be effective for the

Company beginning in the first quarter of 2019 with early adoption permitted, and would be applied either in the period of adoption or retrospectively to each period (or periods) in which the effect of the change in the tax rate as a result of TCJA is recognized. The Company does not expect the adoption of this ASU to have a material impact on its results of operations, financial position and cash flows.

Other new accounting pronouncements are disclosed on the Annual Report on Form 10-K for the fiscal year ended December 31, 2017 filed with the SEC on March 9, 2018.

Note 3 — Net Loss Per Share

Basic loss per share is computed by dividing net loss available to common stockholders by the weighted average number of common shares outstanding during the period. Diluted net loss per share was computed using the weighted average number of common shares outstanding during the period plus potentially dilutive common shares outstanding during the period under the treasury stock method. In computing diluted net loss per share, the weighted average stock price for the period is used in determining the number of shares assumed to be purchased from the exercise of stock options and warrants.

For the three months ended April 1, 2018 and April 2, 2017, 7.5 million and 7.3 million of common shares associated with equity awards and the estimated number of shares to be purchased under the current offering period of the 2009 Employee Stock Purchase Plan were outstanding, respectively. These shares were not included in the computation of diluted net loss per share as they were considered anti-dilutive due to net loss the Company experienced during these periods.

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QUICKLOGIC CORPORATION
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS -- (Continued)

Note 4 — Balance Sheet Components

The following table provides details relating to certain balance sheet line items as of April 1, 2018, and December 31, 2017:

	As of April 1, 2018	December 31, 2017
	(in thousands)	
Inventories:		
Work-in-process	$2,852	$ 2,894
Finished goods	698	665
	$3,550	$ 3,559
Other current assets:		
Prepaid expenses	$1,196	$ 836
Other	230	161
	$1,426	$ 997
Property and equipment:		
Equipment	$11,058	$ 10,996
Software	2,811	3,139
Furniture and fixtures	42	46
Leasehold improvements	675	674
	14,586	14,855
Accumulated depreciation and amortization	(12,469)	(12,480)
	$2,117	$ 2,375
Accrued liabilities:		
Employee related accruals	$1,431	$ 1,143
Other	551	510
	$1,982	$ 1,653

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QUICKLOGIC CORPORATION
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS -- (Continued)

Note 5 — Financing Obligations

The following table provides details relating to the Company's financing obligations as of April 1, 2018 and December 31, 2017:

	As of April 1, 2018	December 31, 2017
	(in thousands)	
Debt and capital lease obligations:		
Revolving line of credit	$6,000	$ 6,000
Capital leases	531	654
	6,531	6,654
Less: Current portion of debt and capital lease obligations	(6,296)	(6,299)
Long-term portion of debt and capital lease obligations	$235	$ 355

Revolving Line of credit

On August 31, 2017, the Company entered into a Fourth Amendment to the Third Amended and Restated Loan and Security Agreement with Silicon Valley Bank to extend the line of credit for one year through September 24, 2018 and to modify certain financial covenants. This amendment requires the Company to maintain (i) unrestricted cash or cash equivalents at the Silicon Valley Bank or at any of its affiliates at all times in an amount of at least $6,000,000; and (ii) a ratio of quick assets to the results of (i) current liabilities minus (ii) the current portion of deferred revenue plus (iii) the long-term portion of the obligations of at least 1.40 to 1.00, tested as of the last day of each month. This line of credit provides for committed loan advances of up to $6.0 million, subject to increases at the Company's election of up to $12.0 million. The Company is in compliance with all loan covenants as of the end of the current reporting period. Upon each advance, the Company can elect a Prime Rate advance, which is the prime rate plus the prime rate margin, or a LIBOR advance, which is LIBOR rate plus the LIBOR rate margin. As of the first quarter ended April 1, 2018, the Company had $6.0 million of revolving debt outstanding with an interest rate of 4.63% per annum.

Capital Leases

In December 2017, the Company leased design software under a three-year capital lease at an imputed interest rate of 6.48% per annum. Terms of the agreement require the Company to make annual payments of approximately $52,000 through December 2019, for a total of $156,000. As of April 1, 2018, $95,000 was outstanding under the capital lease, $46,000 of which was classified as a current liability.

In December 2017, the Company leased design software under a three-year capital lease at an imputed interest rate of 6.30% per annum. Terms of the agreement require the Company to make quarterly payments of approximately $34,000 through November 2019, for a total of $273,000. As of April1, 2018, $224,000 was outstanding under the capital lease, $125,000 of which was classified as a current liability.

In May 2017, the Company leased design software under a three-year capital lease at an imputed interest rate of 5.48% per annum. Terms of the agreement require the Company to make annual payments of approximately $92,000 through June 2019, for a total of $276,000. As of April 1, 2018, $170,000 was outstanding under the capital lease, $83,000 of which was classified as a current liability.

In February 2017, the Company leased design software under a three-year capital lease at an imputed interest rate of 5.57% per annum. Terms of the agreement require the Company to make annual payments of approximately $44,000 through February 2019, for a total of $133,000. As of April 1, 2018, $42,000 was outstanding under the capital lease, all of which was classified as a current liability.

In December 2015, the Company leased design software under a two-year capital lease at an imputed interest rate of 4.88% per annum. Terms of the agreement require the Company to make quarterly payments of approximately $23,000 through November 2017, for a total of $182,000. The lease was paid off in November 2017.

In July 2015, the Company leased design software under a three-year capital lease at an imputed interest rate of 4.91% per annum. Terms of the agreement require the Company to make annual payments of approximately $67,000 through July 2017, for a total of $202,000. The lease was fully paid off in July 2017.

Note 6 — Fair Value Measurements

Money market funds classified within Level 2 because they are not actively traded, have been valued using quoted market prices or alternative pricing sources and models utilizing observable market inputs. The following table presents the Company's financial assets that are measured at fair value on a recurring basis as of April 1, 2018 and December 31, 2017, consistent with the fair value hierarchy provisions of the authoritative guidance (in thousands):

	April 1, 2018				December 31, 2017			
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
Assets:								
Money market funds [1]	$11,912	$5,031	$6,881	$ —	$15,635	$7,176	$8,459	$ —
Total assets	$11,912	$5,031	$6,881	$ —	$15,635	$7,176	$8,459	$ —

[1] Money market funds are included in cash and cash equivalents on the accompanying consolidated balance sheets as of April 1, 2018 and December 31, 2017.

Note 7 — Stockholders' Equity

Common Stock and Preferred Stock

As of April 1, 2018, the Company is authorized to issue 200 million shares of common stock and has 10 million shares of authorized but unissued shares of preferred stock. Without any further vote or action by the Company's stockholders, the Board of Directors has the authority to determine the powers, preferences, rights, qualifications, limitations or restrictions granted to or imposed upon any wholly unissued shares of undesignated preferred stock.

On April 26, 2017, the Company filed an Amended and Restated Certificate of Incorporation with the Secretary of State of the State of Delaware to increase the number of authorized shares of common stock from 100 million to 200 million. The proposal for the amendment was approved by the Company’s stockholders at its 2017 Annual Meeting of Stockholders held on April 26, 2017.

Issuance of Common Stock

On December 6, 2016, the Company filed a shelf registration statement on Form S-3, as amended on March 15, 2017, under which the Company may, from time to time, sell securities in one or more offerings up to a total dollar amount of $40.0 million. The Company's shelf registration statement was declared effective on March 16, 2017.

Under the shelf registration, in March 2017, the Company issued an aggregate of 11.3 million shares of common stock, $0.001 par value, in an underwritten public offering at a price of $1.50 per share. The Company received net proceeds from this offering of approximately $15.2 million, net of underwriter's commission and other offering expenses.

The Company previously issued 2.3 million warrants exercisable for the Company's common stock with a strike price of $2.98 in conjunction with a June 2012 financing. These warrants expired in June 2017.

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Note 8 — Employee Stock Plans

2009 Stock Plan

The 2009 Stock Plan, or the 2009 Plan, was amended and restated by the Board of Directors in January 2015, in February 2017 and in March 15, 2018 and approved by the Company's stockholders on April 23, 2015, on April 26, 2017 and on April 25, 2018 to, among other things, reserve an additional 2.5 million, 1.5 million and 4.0 million shares of common stock, respectively, for issuance under the 2009 Plan. As of April 1, 2018, approximately 16.4 million shares were reserved for issuance under the 2009 Plan. On March 15, 2018, Board of directors extended the term of the Stock Plan until March 15, 2028.

Employee Stock Purchase Plan

The 2009 Employee Stock Purchase Plan, or the 2009 ESPP, was adopted in March 2009. The 2009 ESPP was amended by the Board of Directors in January 2015 and in February 2017, and was approved by the Company's stockholders on April 23, 2015 and April 26, 2017, to reserve an additional 1.0 million and 1.5 million shares of common stock, respectively, for issuance under the 2009 ESPP. As of April 1, 2018, approximately 4.8 million shares were reserved for issuance under the 2009 ESPP.

Note 9 — Stock-Based Compensation

The stock-based compensation expense included in the Company's consolidated financial statements for the three months ended April 1, 2018 and April 2, 2017 was as follows (in thousands):

	Three Months Ended	
	April 1, 2018	April 2, 2017
Cost of revenue	$34	$ 33
Research and development	183	139
Selling, general and administrative	215	146
Total costs and expenses	$432	$ 318

No stock-based compensation was capitalized during any period presented above.

No stock options were granted in the three months ended April 1, 2018 and April 2, 2017. As of April 1, 2018 and April 2, 2017, the fair value of unvested stock options, net of expected forfeitures, was approximately $230,000 and $413,000, respectively. The remaining unrecognized stock-based compensation expense is expected to be recognized over a weighted average period of 2.21 years as of April 1, 2018.

Stock-Based Compensation Award Activity

The following table summarizes the activity in the shares available for grant under the 2009 Plan during the three months ended April 1, 2018:

	Shares Available for Grant

	(in thousands)
Balance at December 31, 2017	3,899
Authorized	4,000
RSUs granted	(1,015)
RSUs forfeited or expired	90
Performance RSUs forfeited or expired	8
Balance at April 1, 2018	6,982

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Stock Options

The following table summarizes stock options outstanding and stock option activity under the 2009 Plan, and the related weighted average exercise price, for the first three months of 2018:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Term	Aggregate Intrinsic Value
	(in thousands)		(in years)	(in thousands)
Balance outstanding at December 31, 2017	3,558	$ 2.09		
Forfeited or expired	—	—		
Exercised	—	—		
Balance outstanding at April 1, 2018	3,558	$ 2.09	4.09	$ 677
Exercisable at April 1, 2018	3,059	$ 2.27	3.39	$ 372
Vested and expected to vest at April 1, 2018	3,463	$ 2.12	3.97	$ 616

The aggregate intrinsic value in the table above represents the total pretax intrinsic value, based on the Company's closing stock price of $1.52 as of the end of the Company's current reporting period, which would have been received by the option holders had all option holders exercised their options as of that date.

The total intrinsic value of options exercised during the three months ended April 1, 2018 and April 2, 2017 was $0 and $27,000, respectively. Total cash received from employees as a result of employee stock option exercises during the three months ended April 1, 2018 and April 2, 2017 was approximately $0 and $70,000, respectively. The Company settles employee stock option exercises with newly issued common shares. In connection with these exercises, there was no tax benefit realized by the Company due to the Company's current loss position. Total stock-based compensation related to stock options was $38,000 and $62,000 for the three months ended April 1, 2018 and April 2, 2017, respectively.

Restricted Stock Units

The Company grants restricted stock units or RSUs, to employees and board of directors with various vesting terms. RSUs entitle the holder to receive, at no cost, one common share for each RSU as it vests. In general, the Company's policy is to withhold shares in settlement of employee tax withholding obligations upon the vesting of RSUs. The stock-based compensation related to RSUs was $295,000 and $156,000 for the three months ended April 1, 2018 and April 2, 2017, respectively. As of April 1, 2018 and April 2, 2017, there was $2.4 million and $1.0 million, respectively, in unrecognized compensation expense related to RSUs. The remaining unrecognized stock-based compensation expense is expected to be recorded over a weighted average period of 2.73 years.

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A summary of activity for the Company's RSUs for the three months ended April 1, 2018 and information regarding RSUs outstanding and expected to vest as of April 1, 2018 is as follows: