INVIVO THERAPEUTICS HOLDINGS CORP.
Form 424B3
November 08, 2018
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Filed pursuant to Rule 424(b)(3)
Registration Statement No. 333 222738

PROSPECTUS SUPPLEMENT NO. 10
(TO PROSPECTUS DATED FEBRUARY 12, 2018)

INVIVO THERAPEUTICS HOLDINGS CORP.

Up to 10,700,000 shares of Common Stock

This prospectus supplement No. 10 supplements and amends the prospectus dated February 12, 2018, as supplemented by prospectus supplement No. 1 dated March 13, 2018, prospectus supplement No. 2 dated April 9, 2018, prospectus supplement No. 3 dated May 7, 2018, prospectus supplement No. 4 dated May 17, 2018, prospectus supplement No. 5 dated June 4, 2018, prospectus supplement No. 6 dated June 26, 2018, prospectus supplement No. 7 dated August 7, 2018, prospectus supplement No. 8, dated September 28, 2018, and prospectus supplement No. 9, dated October 5, 2018, related to the sale or other disposition from time to time of up to 10,700,000 shares of common stock, par value $0.00001 per share, of InVivo Therapeutics Holdings Corp., a Nevada corporation (the “Company,” “we,” “us” or “our”), issued and issuable to Lincoln Park Capital Fund, LLC, the selling stockholder named in the prospectus, also referred to as Lincoln Park, pursuant to a purchase agreement dated January 25, 2018 that we entered into with Lincoln Park. We are not selling any shares of common stock under this prospectus and will not receive any of the proceeds from the sale of the shares of common stock by the selling stockholder.

This prospectus supplement should be read in conjunction with the prospectus dated February 12, 2018, which is to be delivered with this prospectus supplement. This prospectus supplement is qualified by reference to the prospectus except to the extent that the information in this prospectus supplement supersedes the information contained in the prospectus. This prospectus supplement is not complete without, and may not be delivered or utilized except in connection with, the prospectus, including any amendments or supplements to it.

Our common stock is quoted on The Nasdaq Capital Market under the symbol “NVIV.” On November 7, 2018, the last reported sale price of our common stock on The Nasdaq Capital Market was $2.05 per share.

This prospectus supplement incorporates into our prospectus the information contained in our Quarterly Report on Form 10 Q for the quarter ended September 30, 2018 filed with the Securities and Exchange Commission on November 8, 2018 and attached hereto.

Investing in our common stock involves risks. See “Risk Factors” beginning on page 8 of the prospectus.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the prospectus to which it relates are truthful or complete. Any representation to the contrary is a criminal offense.

The date of this prospectus supplement is November 8, 2018.

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-Q

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

For the quarterly period ended September 30, 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: 001-37350

InVivo Therapeutics Holdings Corp.

(Exact name of registrant as specified in its charter)

Nevada (State or other jurisdiction of incorporation or organization)	36-4528166 (I.R.S. Employer Identification Number)
One Kendall Square, Suite B14402 Cambridge, MA (Address of principal executive offices)	02139 (Zip code)

(617) 863-5500

(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 No

Indicate by check mark whether the registrant has submitted electronically if any, every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes 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 the definitions 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
Non-accelerated filer	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.

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

As of November 1, 2018, 9,306,255 shares of the registrant's common stock, $0.00001 par value, were issued and outstanding.

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INVIVO THERAPEUTICS HOLDINGS CORP.

Quarterly Report on Form 10-Q for the Quarter Ended September 30, 2018

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PART I — FINANCIAL INFORMATION

SPECIAL NOTE

All share number and share prices presented in this Quarterly Report on Form 10-Q have been adjusted to reflect the 1-for-25 reverse stock split of InVivo Therapeutics Holdings Corp.'s common stock effected on April 16, 2018.

Item 1.Financial Statements.

InVivo Therapeutics Holdings Corp.

Consolidated Balance Sheets

(In thousands, except share and per-share data)

(Unaudited)

	As of September 30, 2018	December 31, 2017
ASSETS:		
Current assets:		
Cash and cash equivalents	$ 19,707	$ 12,910
Restricted cash	4	361
Prepaid expenses and other current assets	637	535
Total current assets	20,348	13,806
Property, equipment and leasehold improvements, net	112	157
Restricted cash	90	—
Other assets	926	82
Total assets	$ 21,476	$ 14,045
LIABILITIES AND STOCKHOLDERS' EQUITY:		
Current liabilities:		
Accounts payable	$ 1,279	$ 988
Loan payable, current portion	216	452
Derivative warrant liability	—	4
Deferred rent, current portion	—	30
Accrued expenses	1,443	1,638
Total current liabilities	2,938	3,112

Loan payable, net of current portion	—	400
Deferred rent, net of current portion	—	367
Other liabilities	56	56
Total liabilities	2,994	3,935
Commitments and contingencies (Note 6)		
Stockholders' equity:		
Common stock, $0.00001 par value, authorized 25,000,000 shares; 8,506,946 shares issued and outstanding at September 30, 2018; 1,370,992 shares issued and outstanding at December 31, 2017	1	1
Additional paid-in capital	223,286	194,016
Accumulated deficit	(204,805)	(183,907)
Total stockholders' equity	18,482	10,110
Total liabilities and stockholders' equity	$ 21,476	$ 14,045

See notes to the unaudited consolidated financial statements.

(Reflects 1-for-25 reverse stock split effective April 16, 2018)

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InVivo Therapeutics Holdings Corp.

Consolidated Statements of Operations and Comprehensive Loss

(In thousands, except share and per-share data)

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Operating expenses:				
Research and development	$ 928	$ 2,928	$ 3,352	$ 9,522
General and administrative	1,185	3,388	6,405	10,389
Total operating expenses	2,113	6,316	9,757	19,911
Operating loss	(2,113)	(6,316)	(9,757)	(19,911)
Other income (expense):				
Interest income / (expense), net	71	25	122	94
Other income / (expense), net	834	—	902	—
Derivatives gain (loss)	(1,967)	(3,059)	(12,165)	(2,264)
Other income (expense), net	(1,062)	(3,034)	(11,141)	(2,170)
Net loss	$ (3,175)	$ (9,350)	$ (20,898)	$ (22,081)
Net loss per share, basic and diluted	$ (0.42)	$ (6.99)	$ (5.81)	$ (16.98)
Weighted average number of common shares outstanding, basic and diluted	7,562,807	1,337,800	3,597,460	1,300,648
Other comprehensive loss:				
Net loss	(3,175)	(9,350)	(20,898)	(22,081)
Other comprehensive loss:				
Unrealized gain (loss) on marketable securities	—	—	—	—
Comprehensive loss	$ (3,175)	$ (9,350)	(20,898)	$ (22,081)

See notes to the unaudited consolidated financial statements.

(Reflects 1-for-25 reverse stock split effective April 16, 2018)

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InVivo Therapeutics Holdings Corp.

Consolidated Statements of Changes in Stockholders' Equity

(In thousands, except share and per-share data)

(Unaudited)

	Three-Month Period Ended September 30, 2018				
	Common Stock		Additional Paid-in	Accumulated	Total Stockholders'
	Shares	Amount	Capital	Deficit	Equity
Balance as of June 30, 2018	4,077,667	$ 1	$ 199,720	$ (201,630)	$ (1,909)
Share-based compensation expense	—	—	85		85
Fair value of derivative warrant liability reclassified to additional paid-in capital	—	—	23,436		23,436
Issuance of common stock upon vesting of restricted stock units	1,250	—	—		—
Issuance of common stock upon exercise of warrants	4,427,084	—	44		44
Issuance of common stock under ESPP	945	—	1		1
Net loss	—	—	—	(3,175)	(3,175)
Balance at September 30, 2018	8,506,946	$ 1	$ 223,286	$ (204,805)	$ 18,482

	Nine-Month Period Ended September 30, 2018				
	Common Stock		Additional Paid-in	Accumulated	Total Stockholders'
	Shares	Amount	Capital	Deficit	Equity
Balance as of December 31, 2017	1,370,992	$ 1	$ 194,016	$ (183,907)	$ 10,110
Share-based compensation expense	—	—	541		541
Fair value of derivative warrant liability reclassified to additional paid-in capital	—	—	25,326		25,326
Issuance of common stock upon vesting of restricted stock units	1,250	—	—		—

Issuance of common stock upon exercise of warrants	5,478,002	—	55		55
Issuance of common stock under ESPP	1,133	—	4		4
Fractional shares issued due to reverse stock split	2,733	—	—		—
Issuance of common stock to 401(k) plan	440	—	6		6
Issuance of common stock in public offering	1,652,396	—	3,338		3,338
Net loss	—	—	—	(20,898)	(20,898)
Balance at September 30, 2018	8,506,946	$ 1	$ 223,286	$ (204,805)	$ 18,482

See notes to the unaudited consolidated financial statements.

(Reflects 1-for-25 reverse stock split effective April 16, 2018)

InVivo Therapeutics Holdings Corp.

Consolidated Statements of Changes in Stockholders' Equity

(In thousands, except share and per-share data)

(Unaudited)

	Three-Month Period Ended September 30, 2017				
	Common Stock		Additional Paid-in	Accumulated	Total Stockholders'
	Shares	Amount	Capital	Deficit	Equity
Balance as of June 30, 2017	1,287,007	$ 1	$ 188,862	$ (169,893)	$ 18,970
Share-based compensation expense	—	—	1,031		1,031
Issuance of common stock on warrant exchange	80,857	—	3,537		3,537
Issuance of common stock under ESPP	391	—	22		22
Issuance of common stock to 401(k) plan	1,129	—	41		41
Net loss	—	—	—	(9,350)	(9,350)
Balance at September 30, 2017	1,369,384	$ 1	$ 193,493	$ (179,243)	$ 14,251

	Nine-Month Period Ended September 30, 2017				
	Common Stock		Additional Paid-in	Accumulated	Total Stockholders'
	Shares	Amount	Capital	Deficit	Equity
Balance as of December 31, 2016	1,281,763	$ 1	$ 185,955	$ (157,007)	$ 28,949
Cumulative adjustment on adoption of ASU 2016-09	—	—	155	(155)	—
Share-based compensation expense	—	—	3,614		3,614
Issuance of common stock on warrant exchange	80,857	—	3,537		3,537
Issuance of common stock for services	14	—	—		—
Issuance of common stock under ESPP	710	—	51		51
Issuance of common stock upon exercise of stock options	3,576	—	26		26
Issuance of common stock to 401(k) plan	2,464	—	155		155
Net loss	—	—	—	(22,081)	(22,081)

Balance at September 30, 2017	1,369,384	$ 1	$ 193,493	$ (179,243)	$ 14,251

See notes to the unaudited consolidated financial statements.

(Reflects 1-for-25 reverse stock split effective April 16, 2018)

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InVivo Therapeutics Holdings Corp.

Consolidated Statements of Cash Flows

(In thousands)

(Unaudited)

	Nine Months Ended	
	2018	2017
Cash flows from operating activities:		
Net loss	$ (20,898)	$ (22,081)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	75	387
Loss on impairment of fixed assets	48	—
Derivatives loss	12,165	2,264
Non-cash interest expense	2	2
Common stock issued to 401(k) plan	6	154
Gain on lease assignment	(603)	—
Share-based compensation expense	541	3,614
Non-cash investment (income) expense, net	—	(2)
Changes in operating assets and liabilities:		
Prepaid expenses	(101)	(24)
Other assets	(860)	6
Accounts payable	291	259
Accrued expenses and other liabilities	9	(161)
Net cash used in operating activities	(9,325)	(15,582)
Cash flows from investing activities:		
Purchases of marketable securities	—	(8,256)
Sales of marketable securities	—	19,100
Purchases of property and equipment	(65)	(54)
Net cash (used in) provided by investing activities	(65)	10,790
Cash flows from financing activities:		
Proceeds from exercise of stock options	—	26
Proceeds from issuance of stock under ESPP	4	51
Proceeds from exercise of warrants	55	—
Repayment of loan payable	(636)	(315)
Repurchase of warrants	(14)	—
Proceeds from issuance of common stock and warrants, net of commissions and issuance costs	16,511	—
Net cash (used in) provided by financing activities	15,920	(238)
Increase (decrease) in cash and cash equivalents and restricted cash	6,530	(5,030)

Cash, cash equivalents and restricted cash at beginning of period	13,271	21,825
Cash, cash equivalents and restricted cash at end of period	$ 19,801	$ 16,795
Supplemental disclosure of cash flow information and non-cash investing and financing activities:		
Cash paid for interest	$ 35	$ 56
Non-cash issuance of common stock for warrants	$ 287	$ 3,537
Reclassification of derivative warrant liability to additional paid-in capital	$ 25,326	$ —

See notes to the unaudited consolidated financial statements.

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InVivo Therapeutics Holdings Corp.

Notes to Consolidated Financial Statements for the Quarter Ended September 30, 2018 (Unaudited)

1.NATURE OF OPERATIONS AND GOING CONCERN, BASIS OF PRESENTATION AND RECENT ACCOUNTING PRONOUNCEMENTS

Business

InVivo Therapeutics Holdings Corp. (the “Company”) is a pioneering biomaterials and biotechnology company with a focus on the treatment of spinal cord injuries (“SCIs”). The Company’s Neuro-Spinal Scaffold™ implant is a bioresorbable polymer scaffold that is designed for implantation at the site of injury within the spinal cord to treat SCI. The proprietary technologies incorporate intellectual property that is licensed under an exclusive, worldwide license from Boston Children’s Hospital and the Massachusetts Institute of Technology, as well as intellectual property that has been developed internally in collaboration with its advisors and partners.

Since its inception, the Company has devoted substantially all of its efforts to business planning, research and development, recruiting management and technical staff, acquiring operating assets, and raising capital. The Company has historically financed its operations primarily through the sale of equity-related securities. At September 30, 2018, the Company had consolidated cash and cash equivalents of $19.7 million. The Company has not achieved profitability and may not be able to realize sufficient revenue to achieve or sustain profitability in the future. The Company does not expect to be profitable in the next several years, but rather expects to incur additional operating losses. The financing closed in June 2018 (see Note 9) provided necessary funding to fund operations for at least the next twelve months. The Company expects that it will need additional capital resources in order to sustain its product development efforts, for acquisition of technologies and intellectual property rights, for preclinical and clinical testing of its anticipated products, pursuit of regulatory approvals, acquisition of capital equipment, laboratory and office facilities, establishment of production capabilities, for selling, general and administrative expenses, and other working capital requirements in the future which it may raise through a combination of equity offerings, debt financings, other third party funding, marketing and distribution arrangements and other collaborations, strategic alliances and license arrangements.

Reverse Stock Split

On April 16, 2018, the Company effected a reverse stock split of its common stock, par value $0.00001 per share, at a ratio of 1-for-25. As a result of the reverse stock split, (i) every 25 shares of the issued and outstanding common stock were automatically converted into one newly issued and outstanding share of common stock, without any change in the par value per share; (ii) shares of common stock underlying outstanding stock options and other equity instruments convertible into common stock were proportionately reduced and the respective exercise prices, if applicable, were proportionately increased in accordance with the terms of the agreements governing such securities, and (iii) the number of authorized shares of common stock outstanding was proportionally decreased.

All of the Company's historical share and per share information related to issued and outstanding common stock and outstanding options and warrants exercisable for common stock in these financial statements have been adjusted, on a retroactive basis, to reflect this 1-for-25 reverse stock split.

Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared in conformity with generally accepted accounting principles in the United States ("GAAP") consistent with those applied in, and should be read in conjunction with, the Company's audited financial statements and related footnotes for the year ended December 31, 2017 included in the Company's Annual Report on Form 10-K as filed with the United States Securities and Exchange Commission ("SEC") on March 12, 2018. The unaudited consolidated financial statements reflect all adjustments, consisting only of normal recurring adjustments, which are, in the opinion of management, necessary for a fair presentation of the Company's financial position as of September 30, 2018 and its results of operations and cash flows for the interim period presented, and are not necessarily indicative of results for subsequent interim periods or for the full year. The interim financial statements do not include all of the information and footnotes required by GAAP for complete financial statements, as allowed by the relevant SEC rules and regulations; however, the Company believes that its disclosures are adequate to ensure that the information presented is not misleading.

Recently Adopted Accounting Standards

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, Revenue from Contracts with Customers ("ASU 2014-09"), to provide updated guidance on revenue recognition. ASU 2014-09 requires a company to 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 March 2016, the FASB issued ASU No. 2016-08, Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross Versus Net), which clarifies the implementation guidance on principal versus agent considerations. In April 2016, the FASB issued ASU No. 2016-10, Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing, which clarifies certain aspects of identifying performance obligations and licensing implementation guidance. In May 2016, the FASB issued ASU No. 2016-12, Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients, which relates to disclosures of remaining performance obligations, as well as other amendments to guidance on collectability, non-cash consideration, and the presentation of sales and other similar taxes collected from customers. Collectively, these standards are effective for annual reporting periods beginning after December 15, 2017, including interim reporting periods within each annual reporting period. Currently, this guidance is not applicable to the Company as the Company does not generate revenue. However, the Company will adopt and evaluate the impact of adopting these standards on its consolidated financial statements when the Company begins to generate revenue.

In January 2016, the FASB issued ASU No. 2016-01, Financial Instruments - Overall (Subtopic 825-10) - Recognition and Measurement of Financial Assets and Financial Liabilities ("ASU 2016-01"). ASU 2016-01 is intended to improve the recognition and measurement of financial instruments by; requiring equity investments to be measured at fair value with changes in fair value recognized in net income: requiring public business entities to use the exit price notion when measuring the fair value of financial instruments for disclosure purposes; requiring separate presentation of financial assets and financial liabilities by measurement category and form of financial asset on the balance sheet or the accompanying notes to the financial statements; eliminating the requirement for public business entities to disclose the method(s) and significant assumptions used to estimate the fair value that is required to be disclosed for financial instruments measured and amortized at cost on the balance sheet; and requiring a reporting organization to present separately in other comprehensive income the portion of the total change in the fair value of a liability resulting from a change in the instrument-specific credit risk when the organization has elected to measure the liability at fair value in accordance with the fair value option for financial instruments. ASU 2016-01 is effective for annual periods and interim periods within those annual periods, beginning after December 15, 2017. The amendments should be applied by means of a cumulative-effect adjustment to the balance sheet as of the beginning of the fiscal year of adoption. The amendments related to equity securities without readily determinable fair values (including disclosure requirements) should be applied prospectively to equity investments that exist as of the date of adoption. In February 2018, the FASB issued ASU No. 2018-03 which includes technical corrections and improvements to clarify the guidance in ASU No. 2016-01. The Company adopted ASU 2016-01 on January 1, 2018 and it did not have any impact on its accounting for equity investments, fair value disclosures or other disclosure requirements.

In August 2016, the FASB issued ASU No. 2016-15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments ("ASU No. 2016-15"), which clarifies the classification of certain cash receipts and cash payments in the statement of cash flows, including debt prepayment or extinguishment costs, settlement of contingent consideration arising from a business combination and insurance settlement proceeds. The Company adopted ASU 2016-15 on January 1, 2018, and it did not result in any changes to the presentation of amounts shown on the Company's consolidated statements of cash flows for all periods presented.

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InVivo Therapeutics Holdings Corp.

Notes to Consolidated Financial Statements for the Quarter Ended September 30, 2018 (Unaudited)

(Continued)

In November 2016, the FASB issued ASU No. 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash (A Consensus of the FASB Emerging Issues Task Force) ("ASU No 2016-18"). The amendments in this update require that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The Company adopted ASU No. 2016-18 in the first quarter of 2018 and applied the guidance retrospectively to the prior period consolidated statement of cash flows. The following table provides a reconciliation of cash, cash equivalents, and restricted cash within the statement of financial position that sum to the total of the same such amounts shown in the statement of cash flows.

(In thousands)	September 30, 2018	September 30, 2017
Cash and cash equivalents	$ 19,707	$ 16,434
Restricted cash included in current assets	4	361
Restricted cash included in other non-current assets	90	—
Total cash, cash equivalents and restricted cash shown in the statement of cash flows	$ 19,801	$ 16,795

In May 2017, the FASB issued ASU No. 2017-09, Compensation – Stock Compensation (Topic 718): Scope of Modification Accounting ("ASU 2017-09"), to clarify when to account for a change to the terms or conditions of a share-based payment award as a modification. Under this new guidance, modification accounting is required if the fair value, vesting conditions, or classification of the award changes as a result of the change in terms or conditions. ASU 2017-09 is effective for annual reporting periods beginning after December 15, 2017, including interim reporting periods within each annual reporting period. The Company adopted ASU 2017-09 on January 1, 2018 and it did not have a material effect on the Company's financial position, results of operations or disclosures.

In December 2017, the SEC issued Staff Accounting Bulletin 118 ("SAB 118") to address the application of U.S. GAAP in situations in which a registrant does not have the necessary information available, prepared, or analyzed (including computations) in reasonable detail to complete the accounting for certain income tax effects of the Tax Cuts and Jobs Act (the "Tax Reform Act") which was signed into law on December 22, 2017. In March 2018, the FASB issued ASU 2018-05, which amended ASC 740-Income Taxes, to incorporate the requirements of SAB 118. The Company recognized the provisional tax impacts of the Tax Reform Act in the fourth quarter 2017. During first quarter 2018, the Company did not receive any additional information regarding these provisional calculations. As a result, the Company continues to anticipate finalizing the Company's analysis in connection with the completion of its tax return for 2017 to be filed in 2018.

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842). The guidance in this ASU supersedes the leasing guidance in Topic 840, Leases. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance leases or operating leases, with classification affecting the pattern of expense recognition in the statement of operations. The new standard is effective for annual reporting periods beginning after December 15, 2018, including interim reporting periods within each annual reporting period. The Company is currently gathering information and evaluating the impact of this guidance on our consolidated financial statements and related disclosures.

In July 2017, the FASB issued ASU No. 2017-11, Part I. Accounting for Certain Financial Instruments with Down Round Features and Part II. Replacement of the Indefinite Deferral for Mandatorily Redeemable Financial Instruments of Certain Nonpublic Entities and Certain Mandatorily Redeemable Noncontrolling Interests with a Scope Exception (“ASU 2017-11”). Part I of this guidance applies to entities that issue financial instruments such as warrants, convertible debt or convertible preferred stock that contain down round features. Part II of this guidance replaces the indefinite deferrals for certain mandatorily redeemable noncontrolling interests and mandatorily redeemable financial instruments of nonpublic entities. ASU 2017-11 is effective for annual reporting

InVivo Therapeutics Holdings Corp.

Notes to Consolidated Financial Statements for the Quarter Ended September 30, 2018 (Unaudited)

(Continued)

periods beginning after December 15, 2018, including interim reporting periods within each annual reporting period. The Company has concluded that the adoption of ASU 2017-11 will not have a material impact on the financial statements.

In February 2018, the FASB issued Accounting Standards Update No. 2018-02, Income Statement – Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income. This update relates to the impacts of the tax legislation commonly referred to as the Tax Reform Act. The guidance permits the reclassification of certain income tax effects of the Tax Reform Act from other comprehensive income to retained earnings (stranded tax effects). The guidance also requires certain new disclosures. The guidance is effective for annual periods beginning after December 15, 2018, and interim periods within those reporting periods. Early adoption is permitted. Entities may adopt the guidance using one of two transition methods; retrospective to each period (or periods) in which the income tax effects of the Tax Reform Act related to the items remaining in other comprehensive income are recognized or at the beginning of the period of adoption. The Company is currently evaluating the impact that the guidance may have on its Consolidated Financial Statements.

In August 2018, the SEC adopted the final rule under SEC Release No. 33-10532, Disclosure Update and Simplification, amending certain disclosure requirements that were redundant, duplicative, overlapping, outdated or superseded. In addition, the amendments expanded the disclosure requirements on the analysis of stockholders' equity for interim financial statements. Under the amendments, an analysis of changes in each caption of stockholders' equity presented in the balance sheet must be provided in a note or separate statement. The analysis should present a reconciliation of the beginning balance to the ending balance of each period for which a statement of comprehensive income is required to be filed. This final rule is effective on November 5, 2018. The Company adopted this release in the third quarter of 2018.

2.CASH AND CASH EQUIVALENTS

At September 30, 2018 and December 31, 2017, cash equivalents were comprised of money market funds and other short-term investments.

From time to time, the Company may have cash balances in financial institutions in excess of insurance limits. The Company has never experienced any losses related to these balances. The Company considers only those investments that are highly liquid, readily convertible to cash, and that mature within three months from date of purchase to be cash equivalents.

Cash and cash equivalents consisted of the following:

(In thousands)	September 30, 2018	December 31, 2017
Cash	$ (156)	$ 23
Money market funds	19,863	12,887
Total cash and cash equivalents	$ 19,707	$ 12,910

3.RESTRICTED CASH

Restricted cash as of September 30, 2018 and December 31, 2017 was $94 thousand and $361 thousand, respectively. Restricted cash as of September 30, 2018 included a $50 thousand security deposit related to the

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InVivo Therapeutics Holdings Corp.

Notes to Consolidated Financial Statements for the Quarter Ended September 30, 2018 (Unaudited)

(Continued)

Company's credit card account, $4 thousand related to 401(k) reserve account and a $40 thousand standby letter of credit in favor of a landlord (see Note 6).

4. MARKETABLE SECURITIES

The Company invests its excess cash in fixed income instruments denominated and payable in U.S. dollars, including money market accounts, commercial paper, and corporate obligations, in accordance with the Company's investment policy that primarily seeks to maintain adequate liquidity and preserve capital.

As of September 30, 2018, and December 31, 2017, the Company had no marketable securities.

5.FAIR VALUES OF ASSETS AND LIABILITIES

The Company groups its assets and liabilities generally measured at fair value into three levels based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value.

Level 1 — Valuation is based on quoted prices in active markets for identical assets or liabilities. Level 1 assets and liabilities generally include debt and equity securities that are traded in an active exchange market. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 — Valuation is based on observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 — Valuation is based on unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

The Company uses valuation methods and assumptions that consider, among other factors, the fair value of the underlying stock, risk-free interest rate, volatility, expected life, and dividend rates in estimating fair value for the warrants considered to be derivative instruments (see Notes 11 and 12).

Assets and liabilities measured at fair value on a recurring basis are summarized below:

	At September 30, 2018			
(In thousands)	Level 1	Level 2	Level 3	Fair Value
Cash equivalents	$ 19,863	$ —	$ —	$ 19,863
Derivative warrant liability	$ —	$ —	$ —	$ —