ZOGENIX, INC.
Form 4
June 06, 2012

FORM 4

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

OMB APPROVAL	
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Expires:	January 31, 2005
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Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
GARNER CAM L

(Last) (First) (Middle)

C/O ZOGENIX, INC., 12400 HIGH BLUFF DR., SUITE 650

(Street)

SAN DIEGO, CA 92130

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
ZOGENIX, INC. [ZGNX]

3. Date of Earliest Transaction (Month/Day/Year)
06/06/2012

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

__X__ Director _____ 10% Owner
_____ Officer (give title below) _____ Other (specify below)

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security	2. Conversion or Exercise	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any	4. Transaction Code	5. Number of Derivative Securities	6. Date Exercisable and Expiration Date (Month/Day/Year)	7. Title and Amount of Underlying Securities	8. De Se

(Instr. 3)	Price of Derivative Security		(Month/Day/Year)	(Instr. 8)		Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)				(Instr. 3 and 4)		(In
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares	
Right to buy stock	$ 1.86	06/06/2012	06/06/2012	A		35,000		(1)	06/06/2022	common stock	35,000	

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
GARNER CAM L C/O ZOGENIX, INC. 12400 HIGH BLUFF DR., SUITE 650 SAN DIEGO, CA 92130	X			

Signatures

Trisha Millican, Attorney-in-fact	06/06/2012
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) The option was granted on June 6, 2012 and vests in a series of twelve (12) successive, equal monthly installments beginning on June 6, 2012, subject to the Reporting Person's continued service to the Company on each vesting date.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. bottom-width: 1">Irani Zackary S.
17571 VON KARMAN AVE.
IRVINE, CA 92614 X X Chief Executive Officer

Signatures

/s/Zackary Irani	08/05/2016
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) Consists of various options previously reported with varying dates expiring and prices exercisable

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.

 VALIGN="bottom"> 650

Increase in cash value of life insurance

(90) (102)

Changes in:

Interest receivable

557 (549)

Loans held for sale

1,745 (1,734)

Interest payable

(186) (241)

Other, net

1,936 (1,605)

NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES

6,684 (1,232)

CASH FLOWS FROM INVESTING ACTIVITIES:

Maturities and calls of securities available-for-sale

15,781 19,106

Purchases of securities available-for-sale

(30,851) (19,561)

Net (increase) decrease in loans

16,740 (58,898)

Purchases of premises and equipment

(570) (1,489)

(Increase) decrease in other securities

(114) 15

NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES

986 (60,827)

CASH FLOWS FROM FINANCING ACTIVITIES:

Increase in deposits

37,443 51,861

Net increase (decrease) in borrowed funds

(21,118) 11,038

Dividend paid on common stock

(448) (1,115)

Retirement of subordinated debentures

0 (7,217)

Exercise of stock options

7 709

Other

2 2

NET CASH PROVIDED BY FINANCING ACTIVITIES

15,886 55,278

NET INCREASE (DECREASE) IN CASH

23,556 (6,781)

CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD

11,341 19,187

CASH AND CASH EQUIVALENTS AT END OF PERIOD

$34,897 $12,406

CASH PAYMENTS FOR INTEREST

$7,992 $ 7,188

CASH PAYMENTS FOR INCOME TAXES

1,151 1,372

THE FIRST BANCSHARES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE A - BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial statements and with the instructions to Form 10-Q of the Securities and Exchange Commission. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. However, in the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation have been included. Operating results for the six months ended June 30, 2008, are not necessarily indicative of the results that may be expected for the year ended December 31, 2008. For further information, please refer to the consolidated financial statements and footnotes thereto included in the Company s Form 10-K for the year ended December 31, 2007.

NOTE B - SUMMARY OF ORGANIZATION

The First Bancshares, Inc., Hattiesburg, Mississippi (the Company), was incorporated June 23, 1995, under the laws of the State of Mississippi for the purpose of operating as a bank holding company. The Company s primary asset is its interest in its wholly-owned subsidiary, The First, A National Banking Association.

At June 30, 2008, the Company had approximately $513.1 million in assets, $352.2 million in loans, $423.6 million in deposits, and $36.5 million in shareholders equity. For the six months ended June 30, 2008, the Company reported a net income of $1,129,000.

In the first quarter of 2007 the Company declared and paid an annual dividend of $.30 per common share. The Company declared and paid quarterly dividends of $.075 per common share, respectively, for each of the four quarters in 2007.

In the first and second quarters of 2008, the Company declared and paid quarterly dividends of $.075 per common share each quarter.

NOTE C - EARNINGS PER COMMON SHARE

Basic per share data is calculated based on the weighted-average number of common shares outstanding during the reporting period. Diluted per share data includes any dilution from potential common stock outstanding, such as exercise of stock options.

	For the Three Months Ended June 30, 2008		
	Net Income (Numerator)	**Shares (Denominator)**	**Per Share Data**
Basic per share	$ 339,000	2,989,401	$ .11
Effect of dilutive shares:			
Stock options		73,097	
Diluted per share	$ 339,000	3,062,498	$ .11

	For the Six Months Ended June 30, 2008		
	Net Income (Numerator)	**Shares (Denominator)**	**Per Share Data**
Basic per share	$ 1,129,000	2,989,330	$ .38
Effect of dilutive shares:			
Stock options		73,097	
Diluted per share	$ 1,129,000	3,062,427	$ .37

NOTE D - STOCK-BASED COMPENSATION

Prior to January 1, 2006, the Company s stock option plans were accounted for under the recognition and measurement provisions of APB Opinion No. 25 (Opinion 25), *Accounting for Stock Issued to Employees,* and related Interpretations, as permitted by FASB Statement No. 123, *Accounting for Stock-Based Compensation* (as amended by SFAS No. 148, *Accounting for Stock-Based Compensation Transition and Disclosure*) (collectively SFAS 123). No stock-based employee compensation cost was recognized in the Company s consolidated statements of income through December 31, 2005, as all options granted under the plans had an exercise price equal to the market value of the underlying common stock on the date of grant. Effective January 1, 2006, the Company adopted the fair value recognition provisions of FASB Statement No. 123(R), *Share-Based Payment* (SFAS 123R), using the modified-prospective-transition method. Under that transition method, compensation cost recognized in 2006 includes: (a) compensation cost for all share-based payments granted prior to, but not yet vested as of January 1, 2006, based on the grant fair value calculated in accordance with the original provisions of SFAS 123, and (b) compensation cost for all share-based payments granted subsequent to December 31, 2005, based on the grant-date fair value estimated in accordance with the provisions of SFAS 123(R). As of June 30, 2008, only 2,308 stock options were not fully vested and no stock options were granted during the three months ended June 30, 2008.

NOTE E - COMPREHENSIVE INCOME

The following table discloses Comprehensive Income for the periods reported in the Consolidated Statements of Income:

($ Amounts in Thousands)

	Quarter Ended June 30, 2008	**Quarter Ended June 30, 2007**
Net Income	$ 339	$ 1,112
Other Comprehensive Loss net of tax:		
Unrealized holding losses on securities during the period	(1,105)	(714)
Comprehensive Income (Loss)	$ (766)	$ 398
Accumulated Comprehensive Income (Loss)	$ 19	$ (671)
Unrealized holding losses on securities during the period	$ (1,105)	$ (714)
Accumulated Other Comprehensive Income (Loss) beginning of period	1,124	43
Accumulated Other Comprehensive Income (Loss), end of period	$ 19	$ (671)

	Six Months Ended June 30, 2008	**Six Months Ended June 30, 2007**
Net Income	$ 1,129	$ 1,823
Other Comprehensive Loss net of tax:		
Unrealized holding losses on securities during the period	(475)	(641)
Comprehensive Income	$ 654	$ 1,182
Accumulated Comprehensive Income (Loss)	$ 19	$ (671)
Unrealized holding losses on securities during the period	$ (475)	$ (641)
Accumulated Other Comprehensive Income (loss) beginning of period	494	(30)
Accumulated Other Comprehensive Income (Loss), end of period	$ 19	$ (671)

ITEM NO. 2 MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
FINANCIAL CONDITION

The following discussion contains forward-looking statements relating to, without limitation, future economic performance, plans and objectives of management for future operations, and projections of revenues and other financial items that are based on the beliefs of the Company s management, as well as assumptions made by and information currently available to the Company s management. The words expect, estimate, anticipate, and believe, as well as similar expressions, are intended to identify forward-looking statements. The Company s actual results may differ materially from the results discussed in the forward-looking statements, and the Company s operating performance each quarter is subject to various risks and uncertainties that are discussed in detail in the Company s filings with the Securities and Exchange Commission, including the Risk Factors section in the Company s Registration Statement on Form SB-2 (Registration Number 333-61081) as filed with and declared effective by the Securities and Exchange Commission.

The First represents the primary asset of the Company. The First reported total assets of $511.7 million at June 30, 2008, compared to $494.6 million at December 31, 2007. Loans decreased $19.0 million, or 5.1%, during the first six months of 2008. Deposits at June 30, 2008, totaled $424.2 million compared to $387.1 million at December 31, 2007. For the six month period ended June 30, 2008, The First reported net income of $1.44 million compared to $2.05 million for the six months ended June 30, 2007.

NONPERFORMING ASSETS AND RISK ELEMENTS. Diversification within the loan portfolio is an important means of reducing inherent lending risks. At June 30, 2008, The First had no concentrations of ten percent or more of total loans in any single industry or any geographical area outside its immediate market areas.

At June 30, 2008, The First had loans past due as follows:

	($ In Thousands)
Past due 30 through 89 days	$ 1,986
Past due 90 days or more and still accruing	559

The accrual of interest is discontinued on loans which become ninety days past due (principal and/or interest), unless the loans are adequately secured and in the process of collection. Nonaccrual loans totaled $5,706,000 at June 30, 2008. Any other real estate owned is carried at fair value, determined by an appraisal. Other real estate owned (consisting of foreclosed properties) totaled $746,000 at June 30, 2008. A loan is classified as a restructured loan when the interest rate is materially reduced or the term is extended beyond the original maturity date because of the inability of the borrower to service the debt under the original terms. The First had $3.8 million in restructured loans at June 30, 2008 of which $3.3 million is included in nonaccrual loans.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity is adequate with cash and cash equivalents of $34.9 million as of June 30, 2008. In addition, loans and investment securities repricing or maturing within one year or less exceed $193.4 million at June 30, 2008. Approximately $45.2 million in loan commitments are expected to be funded within the next six months and other commitments, primarily standby letters of credit, totaled $1.0 million at June 30, 2008.

There are no known trends or any known commitments or uncertainties that will result in The First s liquidity increasing or decreasing in a material way.

Total consolidated equity capital at June 30, 2008, is $36.5 million, or approximately 7.1% of total assets. The Company currently has adequate capital positions to meet the minimum capital requirements for all regulatory agencies. The Company s capital ratios as of June 30, 2008, were as follows:

Tier 1 leverage	8.66%
Tier 1 risk-based	11.81%
Total risk-based	13.06%

The Company issued $7,217,000 of floating rate junior subordinated deferrable interest debentures to The First Bancshares Statutory Trust I, a Connecticut business trust, in which the Company owns all of the common equity. The debentures are the sole asset of the Trust. The Trust issued $7,000,000 of Trust Preferred Securities (TPSs) to investors. The Company s obligations under the debentures and related documents, taken together, constitute a full and unconditional guarantee by the Company of the Trust s obligations under the preferred securities. These debentures were called on March 26, 2007. On June 30, 2006, The Company issued $4,124,000 of floating rate junior subordinated deferrable interest debentures to The First Bancshares Statutory Trust 2 in which the Company owns all of the common equity. The debentures are the sole asset of the Trust. The Trust issued $4,000,000 of Trust Preferred Securities (TPSs) to investors. The Company s obligations under the debentures and related documents, taken together, constitute a full and unconditional guarantee by the Company of the Trust s obligations under the preferred securities. The preferred securities are redeemable by the Company in 2011, or earlier in the event the deduction of related interest for federal income taxes is prohibited, treatment as Tier 1 capital is no longer permitted, or certain other contingencies arise. The preferred securities must be redeemed upon maturity of the debentures in 2036. Interest on the preferred securities is the three month London Interbank Offer Rate (LIBOR) plus 1.65% and is payable quarterly. The terms of the subordinated debentures are identical to those of the preferred securities. On July 27, 2007, The Company issued $6,186,000 of floating rate junior subordinated deferrable interest debentures to The First Bancshares Statutory Trust 3 in which the Company owns all of the common equity. The debentures are the sole asset of Trust 3. The Trust issued $6,000,000 of Trust Preferred Securities (TPSs) to investors. The Company s obligations under the debentures and related documents, taken together, constitute a full and unconditional guarantee by the Company of the Trust s obligations under the preferred securities. The preferred securities are redeemable by the Company in 2012, or earlier in the event the deduction of related interest for federal income taxes is prohibited, treatment as Tier 1 capital is no longer permitted, or certain other contingencies arise. The preferred securities must be redeemed upon maturity of the debentures in 2037. Interest on the preferred securities is the three month LIBOR plus 1.40% and is payable quarterly. The terms of the subordinated debentures are identical to those of the preferred securities. In accordance with the provisions of *FASB Interpretation No. 46R (FIN 46R), Consolidation of Variable Interest Entities, An Interpretation of ARB No. 51,* the trusts are not included in the consolidated financial statements.

RESULTS OF OPERATIONS

The Company had a net income of $339,000 for the three months ended June 30, 2008, compared with consolidated net income of $1,112,000 for the same period last year.

Net interest income after provision for loan losses decreased to $3,718,000 from $4,296,000 for the three months ended June 30, 2008, or a decrease of 13.5% as compared to the same period in 2007. Earning assets through June 30, 2008, increased $25.5 million and interest-bearing liabilities also increased $36.0 million when compared to June 30, 2007, reflecting an increase of 5.8% and 9.6%, respectively.

Noninterest income for the three months ended June 30, 2008, was $915,000 compared to $707,000 for the same period in 2007, reflecting an increase of $208,000 or 29.2%. Included in noninterest income are service charges on deposit accounts, which for the three months ended June 30, 2008, totaled $570,000 compared to $446,000 for the same period in 2007.

The provision for loan losses was $634,000 in the three months ended June 30, 2008, compared with $320,000 for the same period in 2007. This increase is due in part to a weakening in the local real estate markets. The allowance for loan losses of $5.0 million at June 30, 2008 (approximately 1.41% of loans) is considered by management to be adequate to cover losses inherent in the loan portfolio. The level of this allowance is dependent upon a number of factors, including the total amount of past due loans, general economic conditions, and management s assessment of potential losses. This evaluation is inherently subjective as it requires estimates that are susceptible to significant change. Ultimately, losses may vary from current estimates and future additions to the allowance may be necessary. Thus, there can be no assurance that charge-offs in future periods will not exceed the allowance for loan losses or that additional increases in the loan loss allowance will not be required. Management evaluates the adequacy of the allowance for loan losses quarterly and makes provisions for loan losses based on this evaluation.

Noninterest expenses increased by $626,000 or 17.6% for the three months ended June 30, 2008, when compared with the same period in 2007. This increase is primarily due to the continued growth and the opening of our Gulfport, MS location. Overlapping expenses related to the moving of administration and operations personnel to owned space from leased space is also a contributor to the increase.

ITEM NO. 3. CONTROLS AND PROCEDURES

As of June 30, 2008, (the Evaluation Date), we carried out an evaluation, under the supervision and with the participation of our Chief Executive Officer and our Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures, as such term is defined under Rule 13a-15(e) promulgated under the Securities Exchange Act of 1934, as amended. Based on this evaluation, our Chief Executive Officer and our Chief Financial Officer concluded that our disclosure controls and procedures are effective to ensure that information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in SEC rules and forms.

There have been no changes, significant or otherwise, in our internal controls over financial reporting that occurred during the quarter ended June 30, 2008, that have materially affected, or are reasonably likely to affect, our internal control over financial reporting.

ITEM NO. 4. RECENT ACCOUNTING PRONOUNCEMENTS

In September 2006, the FASB issued Statement No. 157, *Fair Value Measurements* (SFAS No. 157) which defines fair value, establishes a framework for measuring fair value under accounting principles generally accepted in the United States of America, and expands disclosures about fair value measurements. SFAS No. 157 applies to other accounting pronouncements that require or permit fair value measurements. This Statement is effective for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. We adopted SFAS No. 157 as of January 1, 2008, however, there was no significant impact on the consolidated financial statements.

In February 2007, the Financial Accounting Standards Board (FASB) issued Statement No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities Including an Amendment of FASB Statement No. 115* (SFAS No. 159) which permits an entity to choose to measure many financial instruments and certain other items at fair value. Most of the provisions in SFAS No. 159 are elective; however, the amendment to FASB Statement No. 115, *Accounting for Certain Investments in Debt and Equity Securities* , applies to all entities with available-for-sale and trading securities. The FASB s stated objective in issuing this standard is as follows: to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions.

The fair value option established by SFAS No. 159 permits all entities to choose to measure eligible items at fair value at specified election dates. A business entity will report unrealized gains and losses on items for which the fair value option has been elected in earnings at each subsequent reporting date. The fair value option: (a) may be applied instrument by instrument, with a few exceptions, such as investments otherwise accounted for by the equity method; (b) is irrevocable (unless a new election date occurs); and (c) is applied only to entire instruments and not to portions of instruments. We have not adopted the provisions of SFAS No. 159 with regard to any assets or liabilities as of June 30, 2008.

In December 2007, FASB issued Statement No. 141R, *Business Combinations* (SFAS No. 141R). Under SFAS No. 141, organizations utilized the announcement date as the measurement date for the purchase price of the acquired entity. SFAS No. 141R requires measurement at the date the acquirer obtains control of the acquiree, generally referred to as the acquisition date. SFAS No. 141R will have a significant impact on the accounting for transaction and restructuring costs, as well as the initial recognition of contingent assets and liabilities assumed during a business combination. Under SFAS No. 141R, adjustments to the acquired entity s deferred tax assets and uncertain tax position balances occurring outside the measurement period are recorded as a component of the income tax expense, rather than goodwill. SFAS No. 141R is effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. As the provisions of SFAS No. 141R are applied prospectively, the impact to the Company cannot be determined until a transaction occurs.

In December 2007, the FASB issued SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements* (SFAS No. 160), which will require noncontrolling interests (previously referred to as minority interests) to be treated as a separate component of equity, not as a liability or other item outside of permanent equity. SFAS No. 160 applies to the accounting for noncontrolling interests and transactions with noncontrolling interest holders in consolidated financial statements. SFAS No. 160 is effective for periods beginning on or after December 15, 2008. Earlier application is prohibited. SFAS No. 160 will be applied prospectively to all noncontrolling interests, including any that arose before the effective date except that comparative period information must be recast to classify noncontrolling interests in equity, attribute net earnings and other comprehensive income to noncontrolling interests, and provide other disclosures required by SFAS No. 160. The Company does not expect the adoption of SFAS No. 160 to have any impact on its financial position, results of operation, and cash flows.

In March 2008, the FASB issued SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities, an amendment of FASB Statement No. 133* (SFAS No. 161). SFAS No. 161 requires qualitative disclosures about objectives and strategies for using derivatives, quantitative disclosures about fair value amounts of derivative instruments and related gains and losses, and disclosures about credit-risk-related contingent features in derivative agreements. SFAS No. 161 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008. The statement provides only for enhanced disclosures. The Company does not participate in derivative instruments or hedging activities. Therefore, adoption will have no impact on our financial position, results of operations, and cash flows.

PART II OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

On October 8, 2007 The First Bancshares, Inc. (the Company) and its subsidiary, The First, A National Banking Association (the Bank) were formally named as defendants and served with a First Amended Complaint in litigation styled Nick D. Welch v. Oak Grove Land Company, Inc., Fred McMurry, David E. Johnson, J. Douglas Seidenburg, The First, a National Banking Association, The First Bancshares, Inc., and John Does 1 through 10, Civil Action No. 2006-236-CV4, pending in the Circuit Court of Jones County, Mississippi, Second Judicial District (the First Amended Complaint).

The allegations by Welch against the Company and the Bank include counts of 1) Intentional Misrepresentation and Omission; 2) Negligent Misrepresentation and/or Omission; 3) Breach of Fiduciary Duty; 4) Breach of Duty of Good Faith and Fair Dealing; and 5) Civil Conspiracy. The First Amended Complaint served by Welch on October 8, 2007 added the Company and the Bank as defendants in this ongoing litigation. The First Amended Complaint seeks damages from all the defendants, including $2,420,775.00, annual dividends for the year 2006 in the amount of $.30 per share, punitive damages, and attorneys fees and costs, and is more fully described in Form 8-K filed by the Company on October 10, 2007. Each of the Company and the Bank deny any liability to Welch, and they intend to defend vigorously against this lawsuit.

The Defendants removed the case to the United States District Court for the Southern District of Mississippi, Hattiesburg Division, on March 12, 2008 based upon the Court s federal question jurisdiction. On April 11, 2008, the Plaintiff filed a Motion to Remand the case to the Circuit Court of Jones County, Mississippi. The Motion to Remand is currently pending in the United States District Court for the Southern District of Mississippi, Hattiesburg Division.

ITEM 1A. RISK FACTORS

There are no material changes in the Company s risk factors since December 31, 2007. Please refer to the Annual Report on Form 10-K of The First Bancshares, Inc., filed with the Securities and Exchange Commission on March 28, 2008.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITY AND USE OF PROCEEDS

Not Applicable

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not Applicable

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

At the Company s annual meeting of stockholders held May 22, 2008, the following proposals were approved:

Proposal No. 1:

The following individuals were elected to serve as Class I directors of the Company for terms that expire at the annual meeting of stockholders to be held in 2011:

Gregory H. Mitchell

Ted E. Parker

Dennis L. Pierce

J. Douglas Seidenburg

Set forth below is the number of votes cast for, against, or withheld, with respect to each nominee for office:

	For	Against	Withheld
Gregory H. Mitchell	1,972,376		5,200
Ted E. Parker	1,976,976		600
Dennis L. Pierce	1,976,976		600
J. Douglas Seidenburg	1,973,375		4,201

The terms of the Class I directors expire at the 2011 Annual Shareholders Meeting, the terms of the Class II directors will expire at the 2009 Annual Shareholders Meeting, and the terms of the Class III directors will expire at the 2010 Annual Shareholders Meeting. The directors and their classes are:

Class I	**Class II**	**Class III**
Gregory H. Mitchell	Michael W. Chancellor	David W. Bomboy, M.D.
Ted E. Parker	David E. Johnson	E. Ricky Gibson
Dennis L. Pierce	Andrew D. Stetelman	Fred A. McMurry
J. Douglas Seidenburg	Ralph T. Simmons	M. Ray (Hoppy) Cole, Jr.
	Charles R. Lightsey	Gerald C. Patch
		Peeler G. Lacey, M.D.

Proposal No. 2 Ratification of Auditors

Set forth below is the number of votes cast for, against, or abstained, with respect to Ratification of Auditors:

For	**Against**	**Abstain**
1,974,976		2,600

ITEM 5. OTHER INFORMATION

Not Applicable

ITEM 6. EXHIBITS

(a) Exhibits

Exhibit No.	
31.1	Certification of principal executive officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of principal financial officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of principal executive officer pursuant to 18 U. S. C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of principal financial officer pursuant to 18 U. S. C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

b) The Company filed one report on Form 8-K during the quarter ended June 30, 2008.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

	THE FIRST BANCSHARES, INC. (Registrant)
8-13-08 (Date)	/s/ DAVID E. JOHNSON David E. Johnson, Chief Executive Officer
8-13-08 (Date)	/s/ DEEDEE LOWERY DeeDee Lowery, Executive Vice President and Chief Financial Officer

>

Additional

Other

Total

Common Stock

Paid-In

Accumulated

Comprehensive

Stockholders’

Shares

Amount

Capital

Deficit

Income (Loss)

Equity

Balance as of December 31, 2015

38,524,922

$

Explanation of Responses:

38

$

309,078

$

(130,510)

$

(42)

$

178,564

Exercise of stock options

530,562

1

2,208

—

—

2,209

Stock-based compensation, including employee stock purchase plan

—

—

5,198

—

—

5,198

Warrants issued

—

—

7,717

—

—

7,717

Issuance of stock in acquisition

6,955,796

7

108,260

—

—

108,267

Issuance of stock

18,359

—

250

—

—

250

Other comprehensive income, net of tax

—

—

—

—

50

50

Net loss

Explanation of Responses:

—

—

—

(59,955)

—

(59,955)

Balance as of September 30, 2016

46,029,639

$

46

$

432,711

Explanation of Responses:

$

(190,465)

$

8

$

242,300

See accompanying notes to unaudited consolidated financial statements.

4

Table of Contents

TELADOC, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands, unaudited)

	Nine Months Ended September 30, 2016	2015
Cash flows used in operating activities:		
Net loss	$ (59,955)	$ (43,013)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	5,673	3,317
Allowance for doubtful accounts	1,970	1,418
Stock-based compensation, including employee stock purchase plan	5,198	2,096
Deferred income taxes	360	(125)
Accretion of interest	29	241
Amortization of warrants	7,717	—
Changes in operating assets and liabilities:		
Accounts receivable	(1,515)	(3,415)
Prepaid expenses and other current assets	(1,116)	(1,320)
Other assets	(18)	13
Accounts payable	(2,265)	(769)
Accrued expenses and other current liabilities	(462)	600
Accrued compensation	614	2,516
Other liabilities	20	4,064
Net cash used in operating activities	(43,750)	(34,377)
Cash flows provided by (used in) investing activities:		
Purchase of property and equipment	(1,118)	(5,481)
Purchase of internal software	(852)	(1,174)
Purchase of marketable securities	(44,187)	(100,556)
Proceeds from the liquidation/maturity of marketable securities	95,604	2,509
Acquisition of business, net of cash acquired	(37,013)	(17,767)
Net cash provided by (used in) investing activities	12,434	(122,469)
Cash flows from financing activities:		
Net proceeds from the exercise of stock options	2,209	326
Proceeds from issuance of common stock under IPO	—	163,118
Proceeds from issuance of common stock	250	—
Proceeds from borrowing under bank and other debt	29,490	6,800
Repayment of bank loan and other debt	(11,667)	(5,770)

Net cash provided by financing activities	20,282	164,474
Net increase (decrease) in cash and cash equivalents	(11,034)	7,628
Cash and cash equivalents at beginning of the period	55,066	46,436
Cash and cash equivalents at end of the period	$ 44,032	$ 54,064
Interest paid	$ 1,734	$ 1,368

See accompanying notes to unaudited consolidated financial statements.

5

Table of Contents

TELADOC, INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Organization and Description of Business

Teladoc, Inc. was incorporated in the State of Texas in June 2002 and changed its state of incorporation to the State of Delaware in October 2008. Unless the context otherwise requires, Teladoc, Inc., together with its subsidiaries, is referred to herein as “Teladoc” or the “Company”. The Company’s principal executive offices are located in Purchase, New York and Dallas, Texas. Teladoc is the nation’s largest telehealth company.

On July 7, 2015, Teladoc closed on its initial public offering (the “IPO”) in which the Company issued and sold 9,487,500 shares of common stock, including the exercise of an underwriter option to purchase additional shares, at an issuance price of $19.00 per share. The Company received net proceeds of $163.1 million after deducting underwriting discounts and commissions of $12.6 million as well as other offering expenses of $4.5 million. On July 7, 2015, all of the Company’s then-outstanding convertible preferred stock converted into an aggregate of 25.5 million shares of common stock and all of the Company’s redeemable common stock converted into 113,294 shares of common stock.

The Company completed the acquisitions of HY Holdings, Inc. d/b/a HealthiestYou Corporation (“HealthiestYou”), in 2016, Compile, Inc. d/b/a BetterHelp (“BetterHelp”) and Stat Health Services Inc. (“StatDoc”) in 2015, three companies engaged in telehealth activities similar to those of Teladoc. Additionally in 2015, the Company acquired certain assets from Gateway to Provider Access, Inc. (“Gateway”) which was engaged in marketing, selling and administering the Company’s services through other third parties. Upon the effective date of each respective merger, each entity merged with and into Teladoc.

Note 2. Basis of Presentation and Principles of Consolidation

Basis of Presentation and Principles of Consolidation

The accompanying unaudited consolidated financial statements of the Company have been prepared in accordance with U.S. generally accepted accounting principles (“GAAP”) and applicable rules and regulations of the Securities and Exchange Commission (the “SEC”) regarding interim financial reporting. In the opinion of the Company’s management, the accompanying unaudited consolidated financial statements contain all adjustments (consisting of normal recurring accruals and adjustments) necessary to present fairly the financial position, results of operations and cash flows of the Company at the dates and for the periods indicated. The interim results for the quarter and nine months ended September 30, 2016 are not necessarily indicative of results for the full 2016 fiscal year or any other future interim periods. As such, the information included in this quarterly report on Form 10-Q should be read in conjunction with the consolidated financial statements and accompanying notes included in the Company’s Form 10-K for the fiscal year ended December 31, 2015. Certain information and footnote disclosures normally included in the financial statements prepared in accordance with U.S.GAAP are not required in these financial statements and have been condensed or ommitted. Significant accounting policies employed by the Company, including the use of estimates, were presented in the Notes to Consolidated Financial Statements of the Company’s 2015 Annual Report on Form

10-K.

The unaudited consolidated financial statements include the results of Teladoc, two professional associations, twenty two professional corporations and a service corporation: Teladoc Physicians, P.A., Teladoc Behavioral Health, P.A., Teladoc Physicians, P.C. formed and operated in Alaska; Teladoc Physicians, P.C. formed and operated in California; Teladoc Physicians, P.C. formed and operated in Colorado; Teladoc Physicians, P.C. formed and operated in Michigan; Teladoc Physicians, P.C. formed and operated in New Jersey; Teladoc Physicians, P.C. formed and operated in New York; Teladoc Physicians, P.C. formed and operated in North Carolina; Teladoc Behavioral Health, P.C. formed and operated in Alaska; Teladoc Behavioral Health Alabama, P.C. formed and operated in Alabama; Teladoc Behavioral Health California, P.C. formed and operated in California; Teladoc Behavioral Health Colorado, P.C. formed and operated in Colorado; Teladoc Behavioral Health Illinois, P.C. formed and operated in Illinois; Teladoc Behavioral Health Louisiana, P.C. formed and operated in Louisiana; Teladoc Behavioral Health Massachusetts, P.C. formed and operated in Massachusetts; Teladoc Behavioral Health Michigan, P.C. formed and operated in Michigan; Teladoc Behavioral Health Nebraska, P.C. formed and operated in Nebraska; Teladoc Behavioral Health New Jersey, P.C. formed and operated in New Jersey; Consult Psychiatry, P.C. formed and operated in New York; Teladoc Behavioral Health North Carolina, P.C. formed and operated in North Carolina; Teladoc Behavioral Health Rhode Island, P.C. formed and operated in Rhode Island; Teladoc Behavioral Health Virginia, P.C. formed and operated in Virginia;

Table of Contents

TELADOC, INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Teladoc Behavioral Health Arizona, PC. Formed and operated in Arizona and Teladoc Behavioral Health Wisconsin, S.C. formed and operated in Wisconsin (collectively, the "Association").

Teladoc Physicians, P.A. is party to several Services Agreements by and among it and the professional corporations noted above pursuant to which each professional corporation provides services to Teladoc Physicians, P.A. Each professional corporation is established pursuant to the requirements of its respective domestic jurisdiction governing the corporate practice of medicine.

The Company holds a variable interest in the Association which contracts with physicians and other health professionals in order to provide services to Teladoc. The Association is considered a variable interest entity ("VIE") since it does not have sufficient equity to finance its activities without additional subordinated financial support. An enterprise having a controlling financial interest in a VIE, must consolidate the VIE if it has both power and benefits—that is, it has (1) the power to direct the activities of a VIE that most significantly impact the VIE's economic performance (power) and (2) the obligation to absorb losses of the VIE that potentially could be significant to the VIE or the right to receive benefits from the VIE that potentially could be significant to the VIE (benefits). The Company has the power and rights to control all activities of the Association and funds and absorbs all losses of the VIE.

Total revenue and net loss for the VIE were $4.5 million and $(2.2) million, respectively, for the quarter ended September 30, 2016 and $2.9 million and $(1.0) million, respectively, for the quarter ended September 30, 2015. Total revenue and net loss for the VIE were $15.5 million and $(5.7) million, respectively, for the nine months ended September 30, 2016 and $9.3 million and $(4.9) million, respectively, for the nine months ended September 30, 2015. The VIE's total assets were $2.2 million and $2.4 million at September 30, 2016 and December 31, 2015, respectively. Total liabilities for the VIE were $24.3 million and $18.7 million at September 30, 2016 and December 31, 2015, respectively. The VIE's total stockholders' deficit was $22.1 million and $16.4 million at September 30, 2016 and December 31, 2015, respectively.

All intercompany transactions and balances have been eliminated.

There have been no changes to the significant accounting policies described in the Form-10-K that have had a material impact on the consolidated financial statements and related notes.

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation.

Recently Issued Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2014-09, Revenue from Contracts with Customers (Topic 606), to achieve a consistent application of revenue recognition within the U.S., resulting in a single revenue model to be applied by reporting companies under GAAP. Under the new model, recognition of revenue occurs when a customer obtains control of promised goods or services in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In addition, the revised guidance requires that reporting companies disclose the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The revised guidance is effective for the Company beginning in the quarter ending March 31, 2018; early adoption is allowed. The revised guidance is required to be applied retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of initially applying it recognized at the date of initial application. The Company is currently evaluating the transition method that will be elected and the potential effect the revised guidance will have on the consolidated financial statements.

In August 2014, the FASB issued ASU 2014-15, Presentation of Financial Statements—Going Concern. This guidance addresses management’s responsibility to evaluate whether there is substantial doubt about an entity’s ability to continue as a going concern and to provide related footnote disclosures. Management’s evaluation should be based on relevant conditions and events that are known and reasonably knowable at the date that the financial statements are

Table of Contents

TELADOC, INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

issued. ASU 2014-15 is effective for interim or annual periods beginning after December 15, 2016. Early adoption is permitted. The Company is currently evaluating the impact of the adoption of this standard on the consolidated financial statements.

In September 2015, the FASB issued ASU 2015-16, Business Combinations - Simplifying the Accounting for Measurement-Period Adjustments (Topic 805). ASU 2015-16 requires that an acquirer recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined. ASU 2015-16 is effective for interim and annual periods beginning after December 15, 2015, with early adoption permitted, and is to be applied on a prospective basis. For the quarter and nine months ended September 30, 2016, there was no impact of the adoption of this standard on the consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). ASU 2016-02 related to leases that outlines a comprehensive lease accounting model and supersedes the current lease guidance. The new guidance requires lessees to recognize lease liabilities and corresponding right-of-use assets for all leases with lease terms of greater than 12 months. It also changes the definition of a lease and expands the disclosure requirements of lease arrangements. The new guidance must be adopted using the modified retrospective approach and will be effective for the Company starting in the first quarter of fiscal 2019. Early adoption is permitted. The Company is currently in the process of evaluating the impact of the adoption of this standard on the consolidated financial statements.

In March 2016, the FASB issued ASU 2016-09, Compensation—Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting. ASU 2016-09 changes the accounting for share-based payments. Under the new guidance, excess tax benefits associated with share-based payment awards will be recognized in the income statement when the awards vest or settle, rather than in stockholders' equity. In addition, it will increase the number of shares an employer can withhold to cover income taxes on share-based payment awards and still qualify for the exemption to liability classification. The new guidance will be effective for the Company starting in the first quarter of fiscal 2017. Early adoption is permitted in any annual or interim period. The Company is currently in the process of evaluating the impact of the adoption of this standard on the consolidated financial statements.

Note 3. Business Acquisitions

On July 1, 2016, the Company completed the acquisition of HealthiestYou through a merger in which HealthiestYou became a wholly-owned subsidiary of the Company. The aggregate merger consideration paid was $151.5 million, which was comprised of 6,955,796 shares of Teladoc's common stock valued at $108.3 million on July 1,2016, and $43.2 million of cash, subject to post-closing working capital adjustments as defined in the merger agreement. HealthiestYou is a leading telehealth consumer engagement technology platform for the small to mid-sized employer market. HealthiestYou provides end-users with access to telemedicine services including through a web-based portal and a mobile application. Solutions provided by HealthiestYou include 24/7 access to telephone, e-mail, and video conferencing with doctors as well as the convenience of procedure price comparisons, prescription medicine price comparisons, health plan information and benefits eligibility, and location information for wellness service providers. The acquisition was considered a stock acquisition for tax purposes and as such, the goodwill resulting from this acquisition is not tax deductible. The total acquisition related costs of the acquisition were $6.9 million and included transaction costs for banker and other professional fees as well as contract termination costs for certain HealthiestYou third party providers. The contract termination costs of $5.7 million were previously accrued by HealthiestYou and reflected in HealthiestYou's financial statements as of June 30, 2016. These expenses are also reflected in the Company's third quarter results as the Company benefited from the termination of these contracts and they represent a non-cash charge.

On July 31, 2015, the Company acquired certain assets from Gateway for $1.5 million, subject to post-closing working capital adjustments as defined in the purchase agreement. Gateway is engaged in the marketing, selling and administering the Company's services through other third parties and as a result, the acquisition price in excess of the net assets acquired, which were less than $0.1 million, was allocated to client relationships. The acquisition transaction costs were less than $0.1 million. The acquisition was considered an asset acquisition for tax purposes.

8

Table of Contents

TELADOC, INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

On June 17, 2015, the Company completed the acquisition of StatDoc through a merger in which StatDoc became a wholly-owned subsidiary of the Company. The aggregate merger consideration paid by the Company in connection with the acquisition was $30.1 million, which was comprised of $13.3 million of cash and $16.8 million of the Company's common stock (or 1,051,033 shares), subject to post-closing working capital adjustments as defined in the Agreement and Plan of Merger governing the acquisition. During the quarter ended September 30, 2015, the post-closing working capital adjustment was finalized favorably to the Company in the amount of less than $0.1 million. Fair value of the common stock was determined based on market data from similar healthcare enterprises. StatDoc is a telemedicine provider, focused on managed care, health system and self-insured clients. The acquisition was considered a stock acquisition for tax purposes and as such, the goodwill resulting from this acquisition is not tax deductible. The total transaction costs of the acquisition were $0.3 million.

On January 23, 2015, the Company completed the acquisition of BetterHelp, through a merger in which BetterHelp became a wholly owned subsidiary of the Company. The consideration paid by the Company in connection with this acquisition consisted of (i) $3.3 million net of cash acquired and (ii) earn out payments equal to a percentage of the annual net revenue of the BetterHelp business for four years following closing. The Company computed the value of these future payments from internally produced revenue projections and recorded a contingent liability in the amount of $2.4 million which is considered as additional purchase consideration. The Company also issued an unsecured, subordinated promissory note in the amount of $1.0 million, with all principal and interest at a rate of 5% per annum being payable on the third anniversary of the closing to the selling shareholder and another executive of BetterHelp. If the employment of the promissory note holders is terminated, then they forfeit their right to receive the promissory note. As such, the Company has determined the promissory note to be compensatory and is accruing the expense over the service term. In December 2015, the Company agreed to pay the $1.0 million promissory note plus interest in January 2016 and, as a result, accelerated the expense in 2015. BetterHelp was acquired to help the Company expand its operations in the direct to consumer behavioral health sector. The acquisition was considered a stock acquisition for tax purposes and as such, the goodwill resulting from this acquisition is not tax deductible. The total transaction costs of the acquisition were $0.2 million.

The acquisitions described above were accounted for using the acquisition method of accounting, which requires, among other things, the assets acquired and the liabilities assumed be recognized at their fair values as of the acquisition date. The results of the acquisitions were included within the consolidated financial statements commencing on the respective aforementioned acquisition dates.

Table of Contents

TELADOC, INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

The following table summarizes the fair value estimates of the assets acquired and liabilities assumed at each acquisition date. For the recent HealthiestYou acquisition, the fair value estimates of the assets acquired and liabilities assumed are preliminary. The Company, with the assistance of a third-party valuation expert, estimated the fair value of the acquired tangible and intangible assets.

Identifiable assets acquired and liabilities assumed (in thousands):

	HealthiestYou	StatDoc	BetterHelp
Purchase price	$ 151,484	$ 29,991	$ 5,749
Less:			
Cash	6,204	360	89
Accounts receivable	1,225	419	11
Other assets	1,537	70	4
Client relationships	10,930	3,220	141
Non-compete agreements	70	1,070	910
Internal software	2,220	2,960	780
Trademarks	1,180	—	140
Accounts payable	(837)	(609)	(6)
Deferred tax	—	—	(666)
Other liabilities	(2,839)	(701)	(340)
Goodwill	$ 131,794	$ 23,202	$ 4,686

The amount allocated to goodwill reflects the benefits Teladoc expects to realize from the growth of the respective acquisitions operations. Operating results from the date of their respective acquisitions are included in the accompanying unaudited consolidated financial statements.

The Company's unaudited pro forma revenue and net loss for the quarters ended September 30, 2016 and 2015 and for the nine months ended September 30, 2016 and 2015 below have been prepared as if HealthiestYou, StatDoc and BetterHelp had been purchased on January 1, 2015. Unaudited pro forma financial statement results including the results of Gateway would not differ materially from the Company's historically reported financial statement results.

	Unaudited Pro Forma Quarters Ended September 30,		Unaudited Pro Forma Year Ended September 30,	
(in thousands)	2016	2015	2016	2015
Revenue	$ 32,381	$ 22,604	$ 94,546	$ 63,373
Net loss	$ (29,772)	$ (13,943)	$ (62,789)	$ (49,333)

The pro forma financial information above is not necessarily indicative of what the Company's consolidated results actually would have been if the acquisitions had been completed at the beginning of the respective periods. In addition, the pro forma information above does not attempt to project the Company's future results.

10

Explanation of Responses:

TELADOC, INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Note 4. Intangible Assets, Net

Intangible assets, net consist of the following (in thousands):

	Useful Life	Gross Value	Accumulated Amortization	Net Carrying Value	Weighted Average Remaining Useful Life
September 30, 2016					
Client relationships	2 to 10 years	$ 22,581	$ (5,143)	$ 17,438	8.7
Non-compete agreements	1.5 to 5 years	3,480	(2,144)	1,336	1.8
Trademarks	3 years	1,320	(177)	1,143	2.7
Internal software	3 to 5 years	8,724	(2,255)	6,469	2.8
Intangible assets, net		$ 36,105	$ (9,719)	$ 26,386	6.6
December 31, 2015					
Client relationships	2 to 10 years	$ 11,651	$ (3,219)	$ 8,432	7.9
Non-compete agreements	3 to 5 years	3,410	(1,360)	2,050	2.3
Trademarks	3 years	140	(44)	96	2.1
Internal software	3 to 5 years	5,662	(975)	4,687	3.8
Intangible assets, net		$ 20,863	$ (5,598)	$ 15,265	5.9

Amortization expense for intangible assets was $2.0 million and $1.2 million for the quarters ended September 30, 2016 and 2015, respectively and $4.1 million and $2.6 million for the nine months ended September 30, 2016 and 2015, respectively.

Note 5. Goodwill

Goodwill consists of the following (in thousands):

	As of September 30, 2016	As of December 31, 2015
Beginning balance	$ 56,342	$ 28,454
Additions associated with acquisitions	131,794	27,888
Goodwill	$ 188,136	$ 56,342

Note 6. Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities consist of the following (in thousands):

	As of September 30, 2016	As of December 31, 2015
Professional fees	$ 531	$ 411
Consulting fees/customer service fees/provider fees	932	869
Legal fees	1,560	1,056
Interest payable	344	287
Marketing	1,637	53
Earnout and compensation	1,116	2,449
Lease abandonment	145	433
Deferred revenue	810	831
Other	2,658	1,808
Total	$ 9,733	$ 8,197

11

Table of Contents

TELADOC, INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Note 7. Fair Value Measurements

The Company measures its financial assets and liabilities at fair value at each reporting period using a fair value hierarchy that requires it to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. A financial instrument’s classification within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Three levels of inputs may be used to measure fair value:

Level 1—Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active

markets.

Level 2—Include other inputs that are directly or indirectly observable in the marketplace.

Level 3—Unobservable inputs that are supported by little or no market activity.

The Company measures its cash equivalents at fair value on a recurring basis. The Company classifies its cash equivalents within Level 1 because they are valued using observable inputs that reflect quoted prices for identical assets in active markets and quoted prices directly in active markets.

The Company measures its short-term investments at fair value on a recurring basis and classifies such as Level 2. They are valued using observable inputs that reflect quoted prices directly or indirectly in active markets. The short-term investments amortized cost approximates fair value.

The Company measures its contingent consideration at fair value on a recurring basis and classifies such as Level 3. The Company estimates the fair value of contingent consideration as the present value of the expected contingent payments, determined using the weighted probability of the possible payments.

The following tables present information about the Company’s assets and liabilities that are measured at fair value on a recurring basis using the above input categories (in thousands):

	September 30, 2016			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 44,032	$ —	$ —	$ 44,032
Short-term investments	$ —	$ 30,916	$ —	$ 30,916
Contingent liability (included in other liabilities)	$ —	$ —	$ 3,374	$ 3,374

	December 31, 2015			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 55,066	$ —	$ —	$ 55,066
Short-term investments	$ —	$ 82,282	$ —	$ 82,282
Contingent liability (included in accrued expenses and other current liabilities and other liabilities)	$ —	$ —	$ 3,408	$ 3,408

There were no transfers between fair value measurement levels during the nine months ended September 30, 2016 and 2015.

The change in fair value of the Company’s contingent liability is recorded in general and administrative expenses in the consolidated statements of operations. The following table reconciles the beginning and ending balance of the Company’s Level 3 contingent liability:

Balance at December 31, 2015	$ 3,408
Change in fair value	(34)
Fair value at September 30, 2016	$ 3,374

Table of Contents

TELADOC, INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Note 8. Long Term Bank and Other Debt

Long term bank and other debt consist of the following (in thousands):

	As of September 30, 2016	As of December 31, 2015
SVB Mezzanine Term Loan less debt discount of $0 and $190	$ 25,000	$ 12,810
SVB Term Loan Facility	—	4,167
SVB Revolving Advance Facility	—	6,500
SVB Line of Credit Facility less debt discount of $76 and $0	17,414	—
Subordinated Promissory Note	2,000	3,000
Interest payable	55	—
Total	44,469	26,477
Less: current portion of Subordinated Promissory Note/SVB Term Loan Facility	(2,000)	(1,250)
Long term bank and other debt	$ 42,469	$ 25,227

Long term bank and other debt are stated at amortized cost, which approximates fair value.

In July 2016, the Company entered into an Amended and Restated Loan and Security Agreement with Silicon Valley Bank (“SVB”) that provided for a $25 million Mezzanine Term Loan and a $25 million Line of Credit Facility. The Mezzanine Term Loan carries interest at a rate of 6.25% above the WSJ Prime Rate with a WSJ Prime Rate floor of 3.5% and matures in July 2019. Interest payments are payable monthly in arrears. The Company incurred a $250,000 loan origination fee and will be liable for a final payment fee of $750,000 payable at maturity or upon prepayment of the Mezzanine Term Loan. In connection with entry into the Mezzanine Term Loan, the Company granted two affiliates of SVB warrants to purchase an aggregate of 798,694 shares of common stock of the Company at an exercise price of $13.50 per share. The warrants are immediately exercisable and have a 10-year term. The fair value of the common stock warrants on the date of issue was approximately $7.7 million. The Company also granted SVB a security interest in significantly all of the Company’s assets. The Mezzanine Term Loan has been used to fund the expansion of the Company’s business.

The Company determined that the Mezzanine Term Loan represents an extinguishment of the original Mezzanine Term Loan and as a result recorded a one-time charge of $8.5 million. The amortization of warrants and loss on extinguishment of debt includes the write-off of fees paid to SVB, deferred debt costs associated with the original Mezzanine Term Loan and the $7.7 million non-cash fair value of the aforementioned warrants.

The Line of Credit Facility provides for borrowings up to $25 million based on 300% of the Company’s monthly recurring revenue, as defined. In addition, there is an additional $25 million Uncommitted Incremental Facility permitted under the Line of Credit Facility. The Line of Credit Facility carries interest at a rate of 0.50% above the WSJ Prime Rate and matures in July 2019. The Company incurred an initial $75,000 loan origination fee and is responsible for additional $75,000 in annual fees on the anniversary of the Line of Credit Facility. The Company will also be liable for a $50,000 loan arrangement fee if and when the Company utilizes the Uncommitted Incremental Facility.

Additonally, the Company determined that the original Amended Term Loan Facility and Revolving Advance Facility were modified as part of the July 2016 refinancing and as a result, less than $0.1 million of previous deferred loan costs will continue to be amortized to interest expense through July 2019.

The following information describes the Company’s debt agreements before the refinancing in July 2016.

In May 2014, the Company entered into an Amended and Restated Loan and Security Agreement with SVB that provided for a Revolving Advance Facility and a Term Loan Facility (the “Amended Term Loan Facility”). The Revolving Advance Facility provided for borrowings up to $12.0 million based on 300% of the Company’s monthly recurring revenue, as defined therein. Borrowings under the Revolving Advance Facility were $6.5 million at

13

Table of Contents

TELADOC, INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2015. The Revolving Advance Facility carried interest at a rate of 0.75% above the prime rate per annum. Interest payments were payable monthly in arrears.

The Amended Term Loan Facility provides for borrowings up to $5.0 million. As of December 31, 2015, the Company had utilized the total $5.0 million available under this Amended Term Loan Facility. The Amended Term Loan Facility carried interest at a rate of 1.00% above the prime rate per annum. Interest payments were payable monthly in arrears. Payments on the Amended Term Loan Facility commenced in May 2015 and continued with equal monthly payments of principal plus interest through the July 2016 refinancing date.

In May 2014, the Company entered into a Subordinated Loan and Security Agreement with SVB that provided for a Mezzanine Term Loan totaling $13.0 million. The total $13.0 million drawdown of the Mezzanine Facility was completed in September 2014. The Mezzanine Term Loan carried interest at a rate of 10.00% per annum. Interest payments were payable monthly in arrears. In connection with entry into the Mezzanine Term Loan, the Company granted two affiliates of SVB warrants to purchase an aggregate of 131,239 shares of common stock of the Company at an exercise price of $2.95 per share. The warrants were immediately exercisable and have a 10 year term. The Company also granted SVB a security interest in significantly all of the Company's assets. The Mezzanine Term Loan was used to fund the expansion of the Company's business.

Effective with the purchase of AmeriDoc, LLC ("AmeriDoc") in 2014, the Company executed a Subordinated Promissory Note in the amount of $3.5 million payable to the seller of AmeriDoc on April 30, 2015. The Subordinated Promissory Note carries interest at a rate of 10.00% annual interest and is subordinated to the SVB Facilities. In March 2015, the Company, the seller of AmeriDoc and SVB executed an Amended and Restated Subordinated Promissory Note that extended the maturity of the Amended and Restated Subordinated Promissory Note to April 30, 2017. In November 2015, the Company executed the Second Amended and Restated Subordinated Promissory Note with a revised annual interest rate of 7% commencing on January 1, 2016 and extended the maturity of the Second Amended and Restated Subordinated Promissory Note to April 30, 2018 with a seller put option effective on April 30, 2017. The Company repaid $1.0 million and $0.5 million of principal on this Second Amended and Restated Subordinated Promissory Note during 2016 and 2015, respectively. As a result of the seller put option, the Company has classified the $2.0 million outstanding balance to current liability as of September 30, 2016.

The Company was in compliance with all debt covenants at September 30, 2016 and December 31, 2015.

Note 9. Lease Abandonment Charge

In connection with the Company's abandonment of facilities in Dallas, Texas and Greenwich, Connecticut, the Company incurred none and $0.7 million, in lease abandonment charges during the quarter and nine months ended September 30, 2015, respectively, included within general and administrative expenses in the consolidated statement of operations. There were no lease abandonments in 2016. The following table details the associated liability which is included in accrued expenses in the consolidated balance sheet (in thousands):

Balance January 1, 2016	$ 474
Paid or settled	(329)
Balance September 30, 2016	$ 145

Note 10. Commitments and Contingencies

Legal Matters

The Company may become subject to legal proceedings, claims and litigation arising in the ordinary course of its business. At September 30, 2016, the Company was party to the following legal proceedings:

On April 29, 2015, the Company filed a lawsuit against the Texas Medical Board (the ‘‘TMB’’) in the United States District Court for the Western District of Texas, Austin Division alleging that the TMB’s adoption on April 10, 2015 of an amendment to 22 T.A.C. 190.8(1)(L) that would require a prior in-person examination for a doctor validly to

14

Table of Contents

TELADOC, INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

prescribe any controlled substance to a patient in Texas constitutes a violation, inter alia, of the Sherman Antitrust Act. The District Court held a hearing on May 22, 2015 on Teladoc's motion for preliminary injunction of the effectiveness of such amendment, which otherwise was scheduled to take effect on June 3, 2015. On May 29, 2015, the District Court issued the preliminary injunction requested by Teladoc and enjoined the effectiveness of such rule amendment pending trial. On July 30, 2015, the TMB filed a motion to dismiss the suit, and the District Court denied this motion on December 14, 2015. On January 8, 2016, the TMB provided notice of its intent to appeal the District Court's denial of its motion to dismiss to the U.S. Court of Appeals for the Fifth Circuit, which was filed on June 17, 2016 and was subsequently withdrawn by the TMB on October 17, 2016. On January 14, 2016, the District Court granted the parties' joint motion to stay the trial case pending the aforementioned appeal. Accordingly, no trial date has been set.

Business in the State of Texas accounted for approximately $11.1 million (or 13%) and $12.6 million (or 16%) of the Company's consolidated revenue for the nine months ended September 30, 2016 and during the year ended December 31, 2015, respectively. If the TMB's proposed rule amendments go into effect as written and Teladoc is unable to adapt its business model in compliance with the revised rule, its ability to operate its business in the State of Texas could be materially adversely affected, which would have a material adverse effect on its business, financial condition and results of operations.

On June 8, 2015, American Well Corporation filed a complaint against Teladoc in the United States District Court for the District of Massachusetts alleging that certain of its operating platform's technology infringes one of American Well's patents, which patent Teladoc is seeking to invalidate pursuant to a petition for inter partes review that Teladoc filed with the U.S. Patent and Trademark Office's Patent Trial and Appeals Board in March 2015. On June 13, 2016, the District Court dismissed the complaint against Teladoc on the basis that the intellectual property claims American Well sought to protect were not of patentable subject matter. On July 15, 2016, American Well filed notice with the District Court of its intent to appeal the court's decision.

Other than as stated the Company is not a party to any material legal proceeding, and it is not aware of any pending or threatened litigation that would have a material adverse effect on its business, results of operations, cash flows or financial condition should such litigation be resolved unfavorably.

The Company routinely assesses all of its litigation and threatened litigation as to the probability of ultimately incurring a liability and records its best estimate of the ultimate loss in situations where it assesses the likelihood of loss as probable and estimable. In this regard, the Company establishes accrual estimates for various lawsuits, claims, investigations and proceedings when it is probable that an asset has been impaired or a liability incurred at the date of the financial statements and the loss can be reasonably estimated. At September 30, 2016, the Company has established accruals for certain of its lawsuits, claims, investigations and proceedings based upon estimates of the most likely outcome in a range of loss or the minimum amounts in a range of loss if no amount within a range is a more likely estimate. The Company does not believe that at September 30, 2016 any reasonably possible losses in excess of the amounts accrued would be material to the unaudited consolidated financial statements.

Note 11. Common Stock and Stockholders’ Equity

Capitalization

On July 7, 2015, Teladoc closed on its IPO in which the Company issued and sold 9,487,500 shares of common stock, including the exercise of an underwriter option to purchase additional shares, at an issuance price of $19.00 per share. The Company received net proceeds of $163.1 million after deducting underwriting discounts and commissions of $12.6 million as well as other offering expenses of $4.5 million.

On June 17, 2015, the Company filed a Certificate of Amendment to the Company’s Certificate of Incorporation to effect a reverse stock split of all outstanding shares of common stock which provided that every 2.2859 shares of the Company’s issued and outstanding common stock automatically combine into one issued and outstanding share of the Company’s common stock. All shares and per share amounts in the consolidated financial statements and accompanying notes have been retroactively adjusted to give effect to the reverse stock split. In addition, the Certificate of Amendment increased the number of authorized shares of the Company’s common stock to 75,000,000 shares and the

15

Table of Contents

TELADOC, INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

number of authorized shares of the Company's preferred stock to 50,479,286 shares. On July 7, 2015, all of the Company's then-outstanding convertible preferred stock converted into an aggregate of 25.5 million shares of common stock and all of the Company's redeemable common stock converted into 113,294 shares of common stock.

Warrants

In July 2016, in conjunction with the debt refinancing of the Mezzanine Term Loan, the Company issued 798,694 common stock warrants to purchase an aggregate of 798,694 shares of its common stock at an exercise price of $13.50 per share to two entities affiliated with SVB. The common stock warrants were immediately exercisable upon issuance and have a 10-year term. The fair value of the common stock warrants on the date of issue was approximately $7.7 million which was recorded as an increase to additional paid in capital. The Company determined that the July 2016 Mezzanine Term Loan represents an extinguishment of the original Mezzanine Term Loan and as a result recorded a one-time charge to write off the $7.7 million non-cash fair value of the warrants during the quarter ended September 30, 2016. These warrants are outstanding as of September 30, 2016.

Stock Plan and Stock Options

The Company's 2015 Incentive Award Plan (the "Plan") provides for the issuance of incentive and nonstatutory options and other equity-based awards to its employees and non employees. Options issued under the Plan are exercisable for periods not to exceed ten years and vest generally over a four year period. Prior to becoming a public enterprise, pursuant to the Company's Second Amended and Restated Stock Incentive Plan which is now retired, the Company historically issued incentive and non-statutory stock options with exercise prices equal to the fair value of the Company's common stock on the date of grant, as determined by the Company's board of directors informed by third-party valuation. Subsequent to becoming a public enterprise, only options to buy common stock have been issued under the Plan, with exercise prices equal to the closing price of shares of the Company's common stock on the New York Stock Exchange on the trading day immediately preceding the date of award.

Activity under the Plan is as follows (in thousands, except share and per share amounts and years):

	Shares Available for Grant	Number of Shares Outstanding	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life in Years	Aggregate Intrinsic Value
Balance at December 31, 2015	1,986,390	3,851,095	$ 7.62	8.54	$ 41,894
Increase in Plan authorized shares	1,940,154	—	$ —	—	$ —
Stock option grants	(3,118,611)	3,118,611	$ 14.02	—	$ 500
Stock options exercised	—	(530,562)	$ 4.21	—	$ 6,169
Stock options expired	155,328	(155,328)	$ 10.63	—	$ 911
Balance at September 30, 2016	963,261	6,283,816	$ 11.02	8.72	$ 47,913

Vested or expected to vest September 30, 2016	5,897,962	$	10.89	8.69	$ 45,711
Exercisable as of September 30, 2016	1,447,418	$	5.65	7.36	$ 18,767

The total grant date fair value of stock options granted during the quarter and nine months ended September 30, 2016 was $7.4 million and $19.6 million, respectively.

Stock Based Compensation

All stock based awards to employees are measured based on the grant date fair value of the awards and are generally recognized in the Company's consolidated statement of operations over the period during which the employee is required to perform services in exchange for the award (generally requiring a four year vesting period for each award on a straight line basis). The Company estimates the fair value of stock options granted using the Black Scholes option pricing model.

16

Table of Contents

TELADOC, INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Given the absence of a public trading market prior to July 2015, the Company's board of directors considered numerous objective and subjective factors to determine the fair value of its common stock at each grant date. These factors included, but were not limited to, (i) contemporaneous valuations of common stock performed by unrelated third party specialists; (ii) the prices for the Preferred Stock sold to outside investors; (iii) the rights, preferences and privileges of the Preferred Stock relative to the common stock; (iv) the lack of marketability of the common stock; (v) developments in the business; and (vi) the likelihood of achieving a liquidity event, such as an IPO or a merger or acquisition of the Company, given prevailing market conditions.

The assumptions used in the Black Scholes option pricing model were determined as follows:

Volatility. Since the Company does not have a trading history prior to July 2015 for its common stock, the expected volatility was derived from the historical stock volatilities of several unrelated public companies within its industry that it considers to be comparable to its business over a period equivalent to the expected term of the stock option grants.

Risk Free Interest Rate. The risk free interest rate is based on U.S. Treasury zero coupon issues with remaining terms similar to the expected term on the options.

Expected Term. The expected term represents the period that the stock based awards are expected to be outstanding. When establishing the expected term assumption, the Company used the "simplified" method because the Company does not have adequate historical data.

Dividend Yield. The Company has never declared or paid any cash dividends and does not plan to pay cash dividends in the foreseeable future, and therefore, it used an expected dividend yield of zero.

Forfeiture rate. The Company uses historical data to estimate pre vesting option forfeitures and record stock based compensation expense only for those awards that are expected to vest.

The fair value of each option grant was estimated on the date of grant using the Black Scholes option pricing model with the following assumptions and fair value per share:

	Nine Months Ended September 30,	
	2016	2015
Volatility	44.7% – 46.3%	49.4% – 51.0%
Expected life (in years)	6.0	7.0
Risk-free interest rate	1.09% - 1.91%	1.58% - 2.06%
Dividend yield	–	–
Weighted-average fair value of underlying common stock	$ 6.27	$ 6.95

Total compensation costs charged as an expense for stock based awards, including stock options, recognized in the components of operating expenses are as follows (in thousands):

	Quarters Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Administrative and marketing	$ 132	$ 8	$ 348	$ 49
Sales	355	109	794	274
Technology and development	322	60	797	152
General and administrative	1,356	542	3,148	1,622
Total stock-based compensation expense	$ 2,165	$ 719	$ 5,087	$ 2,096

As of September 30, 2016, the Company had $23.8 million in unrecognized compensation cost related to non vested stock options, which is expected to be recognized over a weighted average period of approximately 3.0 years.

17

Table of Contents

TELADOC, INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Employee Stock Purchase Plan

In July 2015, the Company adopted the 2015 Employee Stock Purchase Plan, or ESPP, in connection with its initial public offering. A total of 458,024 shares of common stock were reserved for issuance under this plan. The Company's ESPP permits eligible employees to purchase common stock at a discount through payroll deductions during defined offering periods. Under the ESPP, the Company may specify offerings with durations of not more than 27 months, and may specify shorter purchase periods within each offering. Each offering will have one or more purchase dates on which shares of its common stock will be purchased for employees participating in the offering. An offering may be terminated under certain circumstances. The price at which the stock is purchased is equal to the lower of 85% of the fair market value of the common stock at the beginning of an offering period or on the date of purchase.

As of September 30, 2016, the Company had not issued any shares under the ESPP and 458,024 remained available for issuance.

For the quarter and nine months ended September 30, 2016, the Company recorded stock-based compensation expense related to the ESPP of $0.1 million and $0.1 million based on offerings made under the plan to-date, respectively and there was none in 2015.

Note 12. Income Taxes

As a result of the Company's history of net operating losses, the Company has provided for a full valuation allowance against its deferred tax assets for assets that are not more-likely-than-not to be realized. A deferred tax provision was recognized for the quarter ended September 30, 2016 and 2015, as well as for the nine months ended September 30, 2016, primarily attributable to the timing differences with respect to the treatment of the amortization of tax deductible goodwill. For the nine months ended September 30, 2015, an income tax benefit was realized as a result of acquisition activity partially offset by the aforementioned timing difference.

Substantially all of the Company's operations, and resulting deferred tax assets, were generated in the United States.

Table of Contents

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 that involve risks and uncertainties. All statements other than statements of historical fact are, or may be, forward-looking statements. These forward-looking statements are not historical facts, but rather are based on current expectations, estimates, assumptions and projections about our industry, business and future financial results. We use words such as "anticipates", "believes", "suggests", "targets", "projects", "plans", "expects", "future" "estimates", "predicts", "potential", "may", "will", "should", "could", "would", "likely", "foresee", "forecast", "continue" and words or phrases, as well as statements in the future tense to identify these forward-looking statements.

Forward-looking statements involve known and unknown risks, uncertainties and other important factors that may cause our actual results, performance or achievements to be different from any future results, performance and achievements expressed or implied by these statements. Our actual results could differ materially from the results contemplated by these forward-looking statements due to a number of important factors, including those set forth below.

- ongoing legal challenges to or new state actions against our business model;
- our dependence on our relationships with affiliated professional entities;
- evolving government regulations and our ability to stay abreast of new or modified laws and regulations that currently apply or become applicable to our business;
- our ability to operate in the heavily regulated healthcare industry;
- our history of net losses and accumulated deficit;
- the impact of recent healthcare reform legislation and other changes in the healthcare industry;
- risk of loss of any of our significant Clients;
- risks associated with a decrease in the number of individuals offered benefits by our Clients or the number of products or services to which they subscribe;
- our ability to establish and maintain strategic relationships with third parties;
- our ability to recruit and retain a network of qualified Providers;
- risk that the insurance we maintain may not fully cover all potential exposures;
- rapid technological change in the telehealth market;
- any statements of belief and any statements of assumptions underlying any of the foregoing;
- other factors disclosed in the Form 10-Q; and
- other factors beyond our control.

The foregoing list of factors is not exhaustive, and does not necessarily include all of the important factors that could cause actual results to differ materially from those expressed in any of our forward-looking statements. The information in this Quarterly Report should be read carefully in conjunction with other uncertainties and potential events described in our registration statements on Form S-1 (File No.333-204577) filed with the Securities and Exchange Commission (the "SEC"), our Form 10-K in the Annual Report for the year ended December 31, 2015 and our other filings with the SEC. The forward-looking statements included in this Quarterly Report on Form 10-Q are made only as of the date of this Quarterly Report. Except as required by law or regulation, we do not undertake any obligation to update any forward-looking statements to reflect subsequent events or circumstances.

Table of Contents

Overview

We are the nation’s first and largest telehealth platform, delivering on-demand healthcare anytime, anywhere, via mobile devices, the internet, video and phone. Our solution connects consumers, or our Members, with our over 3,700 board-certified physicians and behavioral health professionals who treat a wide range of conditions and cases from acute diagnoses such as upper respiratory infection, urinary tract infection and sinusitis to dermatological conditions, anxiety and smoking cessation. Over 17 million unique Members now benefit from access to Teladoc 24 hours a day, seven days a week, 365 days a year. Our solution is delivered with a median response time of less than ten minutes from the time a Member requests a telehealth visit to the time they speak with a Teladoc physician. We completed approximately 642,000 telehealth visits in the first nine months of 2016 and approximately 576,000 telehealth visits for the full year in 2015. Membership increased by approximately 4.5 million members from September 30, 2015 through September 30, 2016.

The Teladoc solution is transforming the access, cost and quality dynamics of healthcare delivery for all of our market participants. Our Members rely on Teladoc to remotely access affordable, on-demand healthcare whenever and wherever they choose. Employers, health plans and consumers (our “Clients”) purchase our solution to reduce their healthcare spending while at the same time offering convenient, affordable, high-quality healthcare to their employees or beneficiaries. Our network of physicians and other healthcare professionals (our “Providers”) have the ability to generate meaningful income and deliver their services more efficiently with no administrative burden. We believe the value proposition of our solution is evidenced by our overall Member satisfaction rate, which is approximately 95% over the last seven years. We further believe any consumer, employer or health plan or practitioner interested in a better approach to healthcare is a potential Teladoc Member, Client or Provider.

In July 2015, we closed on our IPO in which the Company issued and sold 9,487,500 shares of common stock, including the exercise of an underwriter option to purchase additional shares, at an issuance price of $19.00 per share. We received net proceeds of $163.1 million after deducting underwriting discounts and commissions of $12.6 million as well as other offering expenses of $4.5 million. On July 7, 2015, all of the Company’s then-outstanding convertible preferred stock converted into an aggregate of 25.5 million shares of common stock and all of the Company’s redeemable common stock converted into 113,294 shares of common stock.

We generate revenue from our Clients on a contractually recurring, per-Member-per-month, subscription access fee basis, which provides us with significant revenue visibility. In addition, under the majority of our Client contracts, we generate additional revenue on a per-telehealth visit basis, through a visit fee. Subscription access fees are paid by our Clients on behalf of their employees, dependents, beneficiaries or themselves, while visit fees are paid by either Clients or Members. We generated $32.4 million and $20.0 million in revenue for the quarters ended September 30, 2016 and 2015, respectively, representing 62% year-over-year growth and $85.8 million and $54.7 million for the nine months ended September 30, 2016 and 2015, respectively, representing 57% year-over-year growth. We had net losses of $29.8 million and $13.2 million for the quarters ended September 30, 2016 and 2015, respectively, and $60.0 million and $43.0 million for the nine months ended September 30, 2016 and 2015, respectively. For the quarter ended September 30, 2016, 86% and 14% of our revenue was derived from subscription access fees and visit fees, respectively, and for the nine months ended September 30, 2016, 82% and 18% of our revenue was derived from subscription access fees and visit fees, respectively.

Acquisition History

We have scaled and intend to continue to scale our platform through the pursuit of selective acquisitions. We believe acquisitions have expanded our distribution capabilities and broadened our service offering. During 2016 and 2015 we completed the following acquisitions.

On July 1, 2016, Teladoc acquired HY Holdings, Inc. d/b/a HealthiestYou (“HealthiestYou”), a leading telehealth consumer engagement technology platform for the small to mid-sized employer market. HealthiestYou is a leading telehealth consumer engagement technology platform for the small to mid-sized employer market. HealthiestYou provides end-users with access to telemedicine services including through a web-based portal and a mobile application. Solutions provided by HealthiestYou include 24/7 access to telephone, e-mail, and video conferencing with doctors as well as the convenience of procedure price comparisons, prescription medicine price comparisons, health plan information and benefits eligibility, and location information for wellness service providers. The purchase price was approximately $151.5 million, which was comprised of 6,955,796 shares of Teladoc’s common stock valued at $108.3 million on July 1, 2016, and $43.2 million of cash, subject to post-closing working capital

Table of Contents

adjustments as defined in the merger agreement.

On June 17, 2015, we completed our acquisition of Stat Health Services Inc. ("StatDoc"), a telemedicine provider, focused on managed care, health system and self-insured clients, for aggregate consideration of $30.1 million, comprised of $13.3 million of cash and $16.8 million of our common stock (or 1,051,033 shares), net of cash acquired.

On January 23, 2015, we completed the acquisition of Compile, Inc. d/b/a BetterHelp ("BetterHelp"), a provider of direct-to-consumer, behavioral health services, for $3.3 million net of cash acquired, and a $1.0 million promissory note and we have agreed to make annual payments to the sellers equal to a percentage of the total net revenue generated by the BetterHelp business through February 2019. This acquisition helped us broaden our service into the direct-to-consumer and behavioral health sector.

Key Factors Affecting Our Performance

Number of Members. Our revenue growth rate and long-term profitability are affected by our ability to increase our number of Members because we derive a substantial portion of our revenue from subscription access fees via Client contracts that provide Members access to our professional Provider network in exchange for a contractual based monthly fee. Revenue is driven primarily by the number of Clients, the number of Members in a Client's population, the number of services contracted for by a Client and the contractually negotiated prices of our services and the negotiated pricing that is specific to that particular Client. We believe that increasing our membership is an integral objective that will provide us with the ability to continually innovate our services and support initiatives that will enhance Member experiences. Membership increased by approximately 4.5 million members from September 30, 2015 through September 30, 2016.

Number of Visits. We also recognize revenue in connection with the completion of a visit for the majority of our contracts. Accordingly, our visit revenue, or visit fees, increase as the number of visits increase. Visit fee revenue is driven primarily by the number of Clients, the number of Members in a Client's population, Member utilization of our Provider network services and the contractually negotiated prices of our services. We believe that increasing our current Member utilization rate is a key objective in order for our Clients to realize tangible healthcare savings with our service. Visits increased by approximately 250,000 for the nine month period ended September 30, 2016 compared to the same period in 2015.

Seasonality. We typically experience the strongest increases in consecutive quarterly revenue during the fourth and first quarters of each year, which coincides with traditional annual benefit enrollment seasons. In particular, as a result of many Clients' introduction of new services at the very end of the current year, or the start of each year, the majority of our new Client contracts have an effective date of January 1. Additionally, as a result of national seasonal cold and flu trends, we experience our highest level of visit fees during the first and fourth quarters of each year when compared to other quarters of the year. Conversely, the second quarter of the year has historically been the period of lowest utilization of our Provider network services relative to the other quarters of the year. See "Risk Factors—Risks Related to Our Business—Our quarterly results may fluctuate significantly, which could adversely impact the value of our common stock." included in our Form 10-K for the year ended December 31, 2015 filed with the SEC.

Components of Results of Operations

Revenue

We generate approximately 80% of our revenue from our Clients who purchase access to our professional Provider network for their employees, dependents and other beneficiaries. Our Client contracts include a per-Member-per-month subscription access fee as well as a visit fee for each completed visit, which is either paid to us by the Client, the Member or both parties. Accordingly, we generate subscription access revenue from our subscription access fees and visit revenue from our visit fees.

Subscription access revenue accounted for approximately 86% and 85% of our total revenue during the quarters ended September 30, 2016 and 2015, respectively, and 82% and 83% during the nine months ended September 30, 2016 and 2015, respectively. Subscription access revenue is driven primarily by the number of Clients, the number of Members in a Client's population, the number of services contracted for by a Client and the contractually negotiated prices of our services. Visit fee revenue is driven primarily by the number of Clients, the number of Members in a Client's population, Member utilization of our professional Provider network services and the contractually negotiated

Table of Contents

prices of our services.

We recognize subscription access fees monthly when the following criteria are met: (i) there is an executed subscription agreement, (ii) the Member has access to the service, (iii) collection of the fees is reasonably assured and (iv) the amount of fees to be paid by the Client and Member is fixed and determinable. Our agreements generally have a term of one year. The majority of Clients renew their contracts with us following their first year of services. We generally invoice our Members in advance on a monthly basis. Visit fees are recognized as incurred and billed in arrears.

Warranties and Indemnification

Our arrangements generally include certain provisions for indemnifying Clients against liabilities if there is a breach of a Client’s data or if our service infringes a third party’s intellectual property rights. To date, we have not incurred any material costs as a result of such indemnifications.

We have also agreed to indemnify our directors and executive officers for costs associated with any fees, expenses, judgments, fines and settlement amounts incurred by any of these persons in any action or proceeding to which any of those persons is, or is threatened to be, made a party by reason of the person’s service as a director or officer, including any action by us, arising out of that person’s services as our director or officer or that person’s services provided to any other company or enterprise at our request. We maintain director and officer liability insurance coverage that would generally enable us to recover a portion of any future amounts paid. We may also be subject to indemnification obligations by law with respect to the actions of our employees under certain circumstances and in certain jurisdictions.

Concentrations of Risk and Significant Clients

Our financial instruments that are exposed to concentrations of credit risk consist primarily of cash and cash equivalents, short-term investments and accounts receivable. Although we deposit our cash with multiple financial institutions, our deposits, at times, may exceed federally insured limits. Our short-term investments are comprised of a portfolio of diverse high credit rating instruments with maturity durations of 1 year or less.

During the quarter ended September 30, 2016 and 2015 and the nine months ended September 30, 2016 and 2015, substantially all of our revenue was generated by Clients located in the United States. No Client represented over 10% of revenue for the quarters ended September 30, 2016 and 2015.

One Client represented more than 10% of accounts receivable for the quarter ended September 30, 2016 and no client represent more than 10% of accounts receivable for the year ended December 31, 2015.

Cost of Revenue

Cost of revenue primarily consists of fees paid to our Providers, costs incurred in connection with our Provider network operations, which include employee-related expenses (including salaries and benefits), costs related to our call center activities and insurance, which includes coverage for medical malpractice claims. Cost of revenue is driven primarily by the number of visits completed in each period. Many of the elements of the cost of revenue are relatively variable and semi-variable, and can be reduced in the near-term to offset any decline in our revenue. Our business and operational models are designed to be highly scalable and leverage variable costs to support revenue-generating activities. While we currently expect to grow our headcount to continue to build our Provider network operations center and to enhance our sales and technology capabilities and support business growth, we believe our increased investment in automation and integration capabilities and economies of scale in our Provider network operations center operating model, will position us to grow our revenue at a greater rate than our cost of revenue.

Gross Profit

Our gross profit is our total revenue minus our total cost of revenue, and our gross margin is our gross profit expressed as a percentage of our total revenue. Our gross margin has been and will continue to be affected by a number of factors, including the fees we charge our Clients, the number of visits we complete and the costs of running our Provider network operations center. We expect our annual gross margin to remain relatively steady over the near term, although our quarterly gross margin is expected to fluctuate from period to period depending on the interplay of these aforementioned factors.

22

Table of Contents

Advertising and Marketing Expenses

Advertising and marketing expenses consist primarily of personnel and related expenses for our marketing staff, including costs of communications materials that are produced to generate greater awareness and utilization among our Clients and Members. Marketing costs also include third-party independent research, trade shows and brand messages, public relations costs and stock-based compensation for our advertising and marketing employees. Our advertising and marketing expenses exclude certain allocations of occupancy expense as well as depreciation and amortization.

We expect our advertising and marketing expenses to increase for the foreseeable future as we continue to increase the size of our advertising and marketing operations and expand into new products and markets. Our advertising and marketing expenses will fluctuate as a percentage of our total revenue from period to period due to the seasonality of our total revenue and the timing and extent of our advertising campaigns and marketing expenses. We will continue to invest in advertising and marketing by hiring additional personnel and promoting our brand through a variety of marketing and public relations activities.

Sales Expenses

Sales expenses consist primarily of employee-related expenses, including salaries, benefits, commissions, employment taxes, travel and stock-based compensation costs for our employees engaged in sales, account management and sales support. Our sales expenses exclude certain allocations of occupancy expense as well as depreciation and amortization.

We expect our sales expenses to increase as we strategically invest to expand our business. We expect to hire additional sales personnel and related account management and sales support personnel to capture an increasing amount of our market opportunity. As we scale our sales and related account management and sales support personnel in the short- to medium-term, we expect these expenses to increase. We will continue to invest in sales by hiring additional sales and account management and sales support personnel.

Technology and Development Expenses

Technology and development expenses include personnel and related expenses for software engineering, information technology infrastructure, security and compliance and product development. Technology and development expenses also include outsourced software engineering services, the costs of operating our on-demand technology infrastructure and stock-based compensation for our technology and development employees. Our technology and development expenses exclude certain allocations of occupancy expense as well as depreciation and amortization.

We expect our technology and development expenses to increase for the foreseeable future as we continue to invest in the development of our technology platform. Our technology and development expenses may fluctuate as a percentage of our total revenue from period to period due to the seasonality of our total revenue and the timing and extent of our technology and development expenses. Historically, the majority of our technology and development expenses has been expensed.

Legal and Regulatory

Legal and regulatory expenses include professional fees incurred. Our legal and regulatory expenses exclude certain allocations of occupancy expense as well as depreciation and amortization.

Acquisition Related Costs

Acquisition related costs include legal, accounting and certain non-cash, non-recurring transaction costs related to mergers and acquisitions.

General and Administrative Expenses

General and administrative expenses include personnel and related expenses of, and professional fees incurred by, our executive, finance, product development, business development, operations and human resources departments. They also include stock-based compensation and most of the facilities costs including utilities and facilities maintenance. Our general and administrative expenses exclude any allocation of depreciation and amortization.

23

Table of Contents

We expect our general and administrative expenses to increase for the foreseeable future due to costs that we incur as a public enterprise, as well as other costs associated with continuing to grow our business. However, we expect our general and administrative expenses to decrease as a percentage of our total revenue over the next several years. Our general and administrative expenses may fluctuate as a percentage of our total revenue from period to period due to the seasonality of our total revenue and the timing and extent of our general and administrative expenses.

Depreciation and Amortization

Depreciation and amortization consists primarily of depreciation of fixed assets, amortization of capitalized software development costs and amortization of acquisition-related intangible assets.

Amortization of Warrants and Loss on Extinguishment of Debt

Amortization of warrants and loss on extinguishment of debt consists of the recognition of the fair value of warrants issued in connection with the July 2016 Mezzanine Term Loan, the write-off of origination and termination financing fees and related deferred cost in connection with a SVB indebtedness extinguished in connection with the July 2016 refinancing.

Interest Expense, Net

Interest expense, net consists of interest activity associated with our bank, other debt and short-term investments.

Income Tax Provision (Benefit)

We account for income taxes using the liability method, under which deferred tax assets and liabilities are determined based on the future tax consequences attributable to differences between the financial reporting carrying amounts of existing assets and liabilities and their respective tax bases and tax credit and net operating losses (“NOLs”). Deferred tax assets and liabilities are measured using the enacted tax rates that are expected to be in effect when the differences are expected to reverse. We assess the likelihood that deferred tax assets will be recovered from future taxable income, and a valuation allowance is established when necessary to reduce deferred tax assets to the amounts more likely than not expected to be realized. We have also recorded deferred tax liabilities arising principally from the treatment of goodwill for tax purposes compared to financial accounting book purposes. We have provided a full valuation allowance for our deferred tax assets at September 30, 2016 and December 31, 2015, due to the uncertainty surrounding the future realization of such deferred tax assets.

Table of Contents

Consolidated Results of Operations

The following table sets forth our consolidated statement of operations data for the three and nine months ended September 30, 2016 and 2015 and the dollar and percentage change between the respective periods:

	Three Months Ended September 30,					Nine Months Ended September 30,				
	2016	2015				2016	2015			
	$	$	Variance	%(a)		$	$	Variance	%(a)	
evenue	$ 32,381	$ 19,973	$ 12,408	62	%	$ 85,757	$ 54,745	$ 31,012	57	%
ost of revenue	7,112	4,488	2,624	58	%	21,946	14,563	7,383	51	%
ross profit	25,269	15,485	9,784	63	%	63,811	40,182	23,629	59	%
perating xpenses:										
dvertising and arketing	9,046	5,284	3,762	71	%	24,900	14,356	10,544	73	%
ales	7,662	5,111	2,551	50	%	18,792	13,190	5,602	42	%
echnology and evelopment	5,867	3,941	1,926	49	%	15,921	10,050	5,871	58	%
egal	1,033	1,421	(388)	-27	%	3,348	7,812	(4,464)	-57	%
egulatory	817	740	77	10	%	2,437	1,750	687	39	%
cquisition lated costs	6,196	15	6,181	NM		6,959	551	6,409	NM	
eneral and dministrative	12,298	10,077	2,221	22	%	35,215	30,595	4,620	15	%
epreciation nd mortization	2,607	1,491	1,116	75	%	5,673	3,317	2,356	71	%
oss from perations	(20,257)	(12,595)	(7,662)	61	%	(49,434)	(41,439)	(7,995)	19	%
mortization of arrants and ss on xtinguishment f debt	8,454	—	8,454	100	%	8,454	—	8,454	100	%
terest xpense, net	873	489	384	-79	%	1,707	1,699	8	0	%
et loss before xes	(29,584)	(13,084)	(16,500)	126	%	(59,595)	(43,138)	(16,457)	38	%
come tax rovision) enefit	(188)	(162)	(26)	16	%	(360)	125	(485)	387	%
et loss	$ (29,772)	$ (13,246)	$ (16,526)	125	%	$ (59,955)	$ (43,013)	$ (16,942)	39	%

NM – Not meaningful

25

Table of Contents

EBITDA and Adjusted EBITDA, non-U.S. GAAP Financial Measures

The following table reconciles net loss to EBITDA and Adjusted EBITDA for the periods presented:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Net loss	$ (29,772)	$ (13,246)	$ (59,955)	$ (43,013)
Add (deduct):				
Interest expense, net	873	489	1,707	1,699
Income tax provision (benefit)	188	162	360	(125)
Depreciation expense	606	317	1,542	746
Amortization expense	2,001	1,174	4,131	2,571
EBITDA(1)	(26,104)	(11,104)	(52,215)	(38,122)
Stock-based compensation	2,165	719	5,087	2,096
Amortization of warrants and loss on extinguishment of debt	8,454	—	8,454	—
Acquisition related costs	6,196	15	6,959	551
Adjusted EBITDA(2)	$ (9,289)	$ (10,370)	$ (31,715)	$ (35,475)

(1) EBITDA consists of net income (loss) before interest, taxes, depreciation and amortization.
(2) Adjusted EBITDA consists of net income (loss) before interest, taxes, depreciation, amortization, stock-based compensation, amortization of warrants and loss on extinguishment of debt and acquisition related costs related to mergers and acquisitions. See additional information regarding Adjusted EBITDA below.

To supplement our financial information presented in accordance with generally accepted accounting principles in the United States, or U.S. GAAP, we use Adjusted EBITDA, a non-U.S. GAAP financial measure. We believe that the presentation of this financial measure enhances an investor’s understanding of our financial performance. We further believe that this financial measure is a useful financial metric to assess our operating performance from period-to-period by excluding certain items that we believe are not representative of our core business. We use certain financial measures for business planning purposes and in measuring our performance relative to that of our competitors. Accordingly, we utilize Adjusted EBITDA as the primary measure of our performance.

We believe that making such adjustment provides investors meaningful information to understand our results of operations and ability to analyze financial and business trends on a period-to-period basis.

We believe this financial measure is commonly used by investors to evaluate our performance. However, our use of the term Adjusted EBITDA may vary from that of others in our industry. Adjusted EBITDA should not be considered as an alternative to net loss before taxes, net loss, loss per share or any other performance measures derived in accordance with U.S. GAAP as measures of performance.

Adjusted EBITDA has an important limitation as an analytical tool and you should not consider it in isolation or as a substitute for analysis of our results as reported under U.S. GAAP. Some of these limitations are:

Adjusted EBITDA:

· does not reflect the significant interest expense on our debt; and

- does not reflect the significant non cash stock compensation expense which should be viewed as a component of recurring operating costs; and
- does not reflect the significant non-recurring charge associated with the amortization of warrants and loss on extinguishment of debt; and
- does not reflect the significant acquisition related costs related to mergers and acquisitions; and
- eliminates the impact of income taxes on our results of operations; and
- although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and Adjusted EBITDA does not reflect any expenditures for such replacements; and

26

Table of Contents

- other companies in our industry may calculate Adjusted EBITDA differently than we do, limiting the usefulness of Adjusted EBITDA as comparative measures.

We compensate for these limitations by using Adjusted EBITDA along with other comparative tools, together with U.S. GAAP measurements, to assist in the evaluation of operating performance. Such U.S. GAAP measurements include gross profit, net loss, net loss per share and other performance measures.

In evaluating these financial measures, you should be aware that in the future we may incur expenses similar to those eliminated in this presentation. Our presentation of Adjusted EBITDA should not be construed as an inference that our future results will be unaffected by unusual or nonrecurring items.

Consolidated Results of Operations Discussion

We completed our acquisitions of HealthiestYou on July 1, 2016, Gateway on July 31, 2015, StatDoc on June 17, 2015 and BetterHelp on January 23, 2015. The results of operations of HealthiestYou, Gateway, StatDoc and BetterHelp since the respective acquisition dates have been included in our unaudited consolidated financial statements included in this Quarterly Report.

Revenue. Total revenue was $32.4 million for the quarter ended September 30, 2016, compared to $20.0 million during the quarter ended September 30, 2015, an increase of $12.4 million, or 62%. Total revenue was $85.8 million for the nine months ended September 30, 2016, compared to $54.8 million during the nine months ended September 30, 2015, an increase of $31.0 million, or 57%. The increase in revenue for both periods was substantially driven by an increase in new Clients and the number of new Members generating additional subscription access fees as well as the HealthiestYou acquisition. The increase in subscription access fees reflected the addition of new Clients, as the number of Members increased by 35% from September 30, 2015 to September 30, 2016 as well as the HealthiestYou acquisition. We experienced 202,566 visits, representing $4.6 million of visit fee revenue for the quarter ended September 30, 2016, compared to 117,213 visits, representing $3.0 million of visit fee revenue during the quarter ended September 30, 2015, an increase of $1.6 million, or 55%. We also experienced 641,614 visits, representing $15.7 million of visit fee revenue for the nine months ended September 30, 2016, compared to 391,231 visits, representing $9.4 million of visit fee revenue during the nine months ended September 30, 2015, an increase of $6.3 million, or 67%.

Cost of Revenue. Cost of revenue was $7.1 million for the quarter ended September 30, 2016 compared to $4.5 million for the quarter ended September 30, 2015, an increase of $2.6 million, or 58%. Cost of revenue was $21.9 million for the nine months ended September 30, 2016 compared to $14.6 million for the nine months ended September 30, 2015, an increase of $7.3 million, or 51%. The increase for both periods was primarily due to the aforementioned increased telehealth visits resulting in increased provider fees and increased physician network operation center costs.

Gross Profit. Gross profit was $25.3 million, or 78% as a percentage of revenue, for the quarter ended September 30, 2016 compared to $15.5 million, or 78%, as a percentage of revenue, for the quarter ended September 30, 2015, an increase of $9.8 million, or 63%. Gross profit was $63.8 million, or 74% as a percentage of revenue, for the nine months ended September 30, 2016 compared to $40.2 million, or 73%, as a percentage of revenue, for the nine months ended September 30, 2015, an increase of $23.6 million, or 59%. The increase for gross profit for the quarter and nine months ended September 30, 2016 was primarily due to the aforementioned revenue and cost of revenue growth.

Advertising and Marketing Expenses. Advertising and marketing expenses were $9.0 million for the quarter ended September 30, 2016 compared to $5.3 million for the quarter ended September 30, 2015, an increase of $3.7 million, or 71%. This increase primarily consisted of increased member engagement initiatives such as digital advertising, sponsorship of professional organizations and trade shows of $3.0 million, increased staffing of $0.5 million and other expenses of $0.2 million. Advertising and marketing expenses were $24.9 million for the nine months ended September 30, 2016 compared to $14.4 million for the nine months ended September 30, 2015, an increase of $10.5 million, or 73%. This increase primarily consisted of increased member engagement initiatives such as digital advertising, sponsorship of professional organizations and trade shows of $8.9 million, increased staffing of $1.1 million and other expenses of $0.5 million.

Sales Expenses. Sales expenses were $7.7 million for the quarter ended September 30, 2016 compared to $5.1 million for the quarter ended September 30, 2015, an increase of $2.6 million, or 50%. This increase primarily consisted of increased staffing and sales commissions of $2.2 million and an increase to other sales expenses of $0.4 million. Sales expenses were $18.8 million for the nine months ended September 30, 2016 compared to $13.2 million for the nine months ended September 30, 2015, an increase of $5.6 million, or 42%. This increase primarily consisted of increased staffing and sales commissions of $4.5 million, and an increase to other sales expenses of $1.1 million.

Technology and Development Expenses. Technology and development expenses were $5.8 million for the quarter ended September 30, 2016 compared to $3.9 million for the quarter ended September 30, 2015, an increase of $1.9 million, or 49%. This increase resulted primarily from hiring additional personnel totaling $1.5 million. Technology and development expenses were $15.9 million for the nine months ended September 30, 2016 compared to $10.0 million for the nine months ended September 30, 2015, an increase of $5.9 million, or 58%. This increase resulted primarily from hiring additional personnel totaling $5.2 million. For both of the quarter and nine months ended September 30, 2016, the increases in technology and development expenses is partially offset by reduction in professional fees paid to third parties.

Legal Expenses. Legal expenses were $1.0 million for the quarter ended September 30, 2016 compared to $1.4 million for the quarter ended September 30, 2015, a decrease of $0.4 million, or 27%. This decrease primarily consisted of a lower estimate for a claim. Legal expenses were $3.3 million for the nine months ended September 30, 2016 compared to $7.8 million for the nine months ended September 30, 2015, a decrease of $4.5 million, or 57%. This decrease primarily consisted of lower legal fees in relation to the dispute with TMB.

Regulatory Expenses. Regulatory expenses were $0.8 million for the quarters ended September 30, 2016 compared to $0.7 million for the quarter ended September 30, 2015, an increase of $0.1 million, or 10%. Regulatory expenses were $2.4 million for the nine months ended September 30, 2016 compared to $1.7 million for the nine months ended September 30, 2015, an increase of $0.7 million, or 39%. The increase for both periods was primarily related to the increased activities required in connection with the aforementioned litigation.

Acquisition Related Costs. Acquisition related costs were $6.2 million for the quarters ended September 30, 2016 compared to less than $0.1 million for the quarter ended September 30, 2015, an increase of $6.2 million. Acquisition related costs were $7.0 million for the nine months ended September 30, 2016 compared to $0.6 million for the nine months ended September 30, 2015, an increase of $6.4 million. The increase for both periods was primarily due to $5.7 million of contract termination costs related to HealthiestYou for certain third party providers. The contract termination costs of $5.7 million were previously accrued by HealthiestYou and reflected in HealthiestYou's financial statements as of June 30, 2016. These principally non-cash expenses are reflected in the Company's third quarter 2016 results as the Company had determined that it will benefit from the termination of these contracts.

General and Administrative Expenses. General and administrative expenses were $12.3 million for the quarter ended September 30, 2016 compared to $10.1 million for the quarter ended September 30, 2015, an increase of $2.2 million, or 22%. This increase was primarily due to an increase in employee-related expenses of approximately $1.5 million as a result of growth in total employee headcount to 658 at September 30, 2016 as compared to 537 at September 30, 2015. Costs incurred in our physician network operations center in connection with enhancing our Member services increased by $0.1 million. Professional fees, increased by $0.4 million for the quarter ended September 30, 2016 as compared to September 30, 2015. Other expenses, which include office-related charges and bank charges, severance costs, lease costs associated with abandoned facilities and bad debt expenses, increased to $3.2 million for the quarter ended September 30, 2016 from $2.9 million for the quarter ended September 30, 2015, an increase of $0.3 million. General and administrative expenses were $35.2 million for the nine months ended September 30, 2016 compared to $30.6 million for the nine months ended September 30, 2015, an increase of $4.6 million, or 15%. This increase was in part due to an increase in employee-related expenses of approximately $5.8 million as a result of growth in total employee headcount to 658 at September 30, 2016 as compared to 537 at September 30, 2015. Additionally, costs incurred in our physician network operations center in connection with enhancing our Member services decreased by $2.0 million. Professional fees, decreased by $1.1 million for the nine months ended September 30, 2016 as compared to September 30, 2015. Other expenses, which include office-related charges and bank charges, severance costs, lease costs including costs associated with abandoned facilities and bad debt expenses, increased to $10.3 million for the nine months ended September 30, 2016 from $8.4 million for the nine months ended September 30, 2015, an increase of $1.9 million and are primarily driven by increased office related costs and bank costs to support the growth of our business.

Depreciation and Amortization. Depreciation and amortization was $2.6 million for the quarter ended September 30, 2016 compared to $1.5 million for the quarter ended September 30, 2015, an increase of $1.1 million, or 75%. Depreciation and amortization was $5.7 million for the nine months ended September 30, 2016 compared to $3.3 million for the nine months ended September 30, 2015, an increase of $2.4 million, or 71%. This increase in both periods was due to an increase of depreciation expense on an increased base of depreciable fixed assets that grew from $6.1 million at September, 2015 to $10.7 million at September 30, 2016 and intangibles assets acquired from

28

Table of Contents

HealthiestYou in July 2016.

Amortization of Warrants and Loss on Extinguishment of Debt. Amortization of warrants and loss on extinguishment of debt was $8.5 million for the quarter ended September 30, 2016 and none in 2015. Amortization of warrants and loss on extinguishment of debt was $8.5 million for the nine months ended September 30, 2016 and none in 2015. As a result of the July 2016 refinancing, the Company determined that the July 2016 Mezzanine Term Loan represents an extinguishment of the original SVB Mezzanine Term Loan and recorded a one-time charge associated with the amortization of warrants and loss on extinguishment of debt of $8.5 million. The amortization of warrants and loss on extinguishment of debt includes the write-off of fees paid to SVB, deferred debt costs associated with the original Mezzanine Term Loan and the $7.7 million non-cash fair value of the warrants issued in connection with the July 2016 Mezzanine Term Loan.

Interest Expense, Net. Interest expense, net consists of interest costs associated with our bank and other debt and interest income from short-term investments in marketable securities. Interest expense, net was $(0.9) million for the quarter ended September 30, 2016 compared to $(0.5) million for the quarter ended September 30, 2015, an increase of $0.4 million. The increase in interest expense reflects higher outstanding debt and costs associated with the re-financing. Interest expense, net was flat at $(1.7) million for both of the nine months ended September 30, 2016 and 2015.

Liquidity and Capital Resources

The following table presents a summary of our cash flow activity for the periods set forth below:

	Nine Months Ended September 30, 2016	Nine Months Ended September 30, 2015
Consolidated Statements of Cash Flows Data		
Net cash used in operating activities	$ (43,750)	$ (34,377)
Net cash provided by (used in) investing activities	12,434	(122,469)
Net cash provided by financing activities	20,282	164,474
Total	$ (11,034)	$ 7,628

Since our inception and prior to our IPO, we have financed our operations primarily through private sales of equity securities and to a lesser extent, bank borrowings. In July 2015, we received $163.1 million of net cash proceeds associated with the issuance of 9,487,500 shares of common stock in conjunction with our IPO, after deducting underwriting discounts and commissions of $12.6 million as well as other offering expenses of $4.5 million.

Our principal sources of liquidity are cash and cash equivalents totaling $44.0 million as of September 30, 2016, which were held for working capital purposes. In addition, we have $30.9 million of short-term investments in marketable securities. Our cash and cash equivalents are comprised of money market funds and marketable securities.

Cash Used in Operating Activities

For the nine months ended September 30, 2016, cash used in operating activities was $43.7 million. The negative cash flows resulted primarily from our net loss of $60.0 million, as well as the effect of changes in working capital and other balance sheet accounts resulting in cash outflows of approximately $4.7 million, all of which was the result of growth of the business. The impact was partially offset by depreciation and amortization of $5.7 million, allowance for doubtful accounts of $2.0 million, stock-based compensation of $5.2 million, deferred income taxes of $0.4 million and amortization of warrants of $7.7 million.

For the nine months ended September 30, 2015, cash used in operating activities was $34.4 million. The negative cash flows resulted primarily from our net loss of $43.0 million and deferred income taxes of $0.1 million, partially offset by depreciation and amortization of $3.3 million, allowance for doubtful accounts of $1.4 million, stock-based compensation of $2.1 million, as well as the effect of changes in working capital and other balance sheet accounts resulting in cash inflows of approximately $1.7 million, all of which was the result of growth of the business..

The increase in cash used in operating activities for both periods was primarily the result of additional headcount, increased marketing expenses, costs incurred to improve and optimize our technology platform, increases in our physician network operations center and office-related charges to support the growth of our business.

Table of Contents

Cash Provided by (Used in) Investing Activities

Cash provided by investing activities was $12.4 million for the nine months ended September 30, 2016. Cash provided by investing activities consisted of maturities of short-term marketable securities of $51.4 million, net of purchases offset by the acquisition of HealthiestYou of $37.0 million net of cash acquired, and of purchases of property and equipment totaling $1.1 million and investments in internally developed capitalized software of $0.8 million.

Cash used in investing activities was $122.5 million for the nine months ended September 30, 2015. Cash used in investing activities consisted of the acquisition of BetterHelp, StatDoc and Gateway, which required payments of $3.3 million $12.9 million and $1.5 million net of cash acquired, respectively, purchases of short-term marketable securities of $98.0 million, net of sales and of purchases of property and equipment totaling $5.5 million and investments in internally developed capitalized software of $1.2 million.

Cash Provided by Financing Activities

Our primary financing activities have consisted of our IPO, private sales of preferred stock and bank and other borrowings.

Cash provided by financing activities for the nine months ended September 30, 2016 was $20.3 million. Cash provided by financing activities consisted of $2.3 million of proceeds from the exercise of employee stock options, $0.2 million of proceeds from the issuance of common stock and $17.5 million borrowed under the SVB Line of Credit and $12.0 million borrowed under the Mezzanine Term Loan. Cash used in financing activities consisted of the repayment of $11.7 million under the Amended Term Loan Facility and promissory note.

Cash provided by financing activities for the nine months ended September 30, 2015 was $164.5 million. Cash provided by financing activities consisted of an additional $163.1 million of net cash proceeds from IPO, an additional $6.8 million borrowed under the Revolving Advance Facility and $0.3 million of proceeds from the exercise of employee stock options. Cash used in financing activities consisted of repayment of $5.7 million under the Amended Term Loan Facility and promissory note.

Indebtedness

In July 2016, the Company entered into an Amended and Restated Loan and Security Agreement with Silicon Valley Bank ("SVB") that provided for a $25 million Mezzanine Term Loan and a $25 million Line of Credit Facility. The Mezzanine Term Loan carries interest at a rate of 6.25% above the WSJ Prime Rate with a WSJ Prime Rate floor of 3.5% and matures in July 2019. Interest payments are payable monthly in arrears. The Company incurred a $250,000 loan origination fee and will be liable for a final payment fee of $750,000 payable at maturity or upon prepayment of the Mezzanine Term Loan. In connection with entry into the Mezzanine Term Loan, the Company granted two affiliates of SVB warrants to purchase an aggregate of 798,694 shares of common stock of the Company at an exercise price of $13.50 per share. The warrants are immediately exercisable and have a 10-year term. The fair value of the common stock warrants on the date of issue was approximately $7.7 million. The Company also granted SVB a security interest in significantly all of the Company's assets. The Mezzanine Term Loan has been used to fund the expansion of the Company's business.

The Company determined that the Mezzanine Term Loan represents an extinguishment of the original Mezzanine Term Loan and as a result recorded a one-time charge of $8.5 million. The amortization of warrants and loss on extinguishment of debt includes the write-off of fees paid to SVB, deferred debt costs associated with the original Mezzanine Term Loan and the $7.7 million non-cash fair value of the aforementioned warrants.

The Line of Credit Facility provides for borrowings up to $25 million based on 300% of the Company's monthly recurring revenue, as defined. In addition, there is an additional $25 million Uncommitted Incremental Facility permitted under the Line of Credit Facility. The Line of Credit Facility carries interest at a rate of 0.50% above the WSJ Prime Rate and matures in July 2019. The Company incurred an initial $75,000 loan origination fee and is responsible for additional $75,000 in annual fees on the anniversary of the Line of Credit Facility. The Company will also be liable for a $50,000 loan arrangement fee if and when the Company utilizes the Uncommitted Incremental Facility.

Additonally, the Company determined that the original Amended Term Loan Facility and Revolving Advance Facility were modified as part of the refinancing and as a result, less than $0.1 million of previous deferred loan costs will continue to be amortized to interest expense through July 2019.

30

Table of Contents

The following information describes the Company's debt agreements before the refinancing in July 2016.

In May 2014, the Company entered into an Amended and Restated Loan and Security Agreement with SVB that provided for a Revolving Advance Facility and a Term Loan Facility (the "Amended Term Loan Facility"). The Revolving Advance Facility provided for borrowings up to $12.0 million based on 300% of the Company's monthly recurring revenue, as defined therein. Borrowings under the Revolving Advance Facility were $6.5 million at December 31, 2015. The Revolving Advance Facility carried interest at a rate of 0.75% above the prime rate per annum. The Company entered into an amendment to the Revolving Advance Facility in March 2015. Interest payments were payable monthly in arrears.

The Amended Term Loan Facility provides for borrowings up to $5.0 million. As of December 31, 2015, the Company had utilized the total $5.0 million available under this Amended Term Loan Facility. The Amended Term Loan Facility carried interest at a rate of 1.00% above the prime rate per annum. Interest payments were payable monthly in arrears. Payments on the Amended Term Loan Facility commenced in May 2015 and continued with equal monthly payments of principal plus interest through the July 2016 refinancing date.

In May 2014, the Company entered into a Subordinated Loan and Security Agreement with SVB that provided for a Mezzanine Term Loan totaling $13.0 million. The total $13.0 million drawdown of the Mezzanine Term Loan was completed in September 2014. The Mezzanine Term Loan carried interest at a rate of 10.00% per annum. Interest payments were payable monthly in arrears. In connection with entry into the Mezzanine Term Loan, the Company granted two affiliates of SVB warrants to purchase an aggregate of 131,239 shares of common stock of the Company at an exercise price of $2.95 per share. The warrants were immediately exercisable and had a 10 year term and were exercised in 2015. The Company also granted SVB a security interest in significantly all of the Company's assets. The Mezzanine Term Loan was used to fund the expansion of the Company's business.

Effective with the purchase of AmeriDoc, the Company executed a Subordinated Promissory Note in the amount of $3.5 million payable to the seller of AmeriDoc on April 30, 2015. The Subordinated Promissory Note carries interest at a rate of 10.00% annual interest and is subordinated to the SVB Facilities. In March 2015, the Company, the seller of AmeriDoc and SVB executed an Amended and Restated Subordinated Promissory Note that extended the maturity of the Amended and Restated Subordinated Promissory Note to April 30, 2017. In November 2015, the Company executed the Second Amended and Restated Subordinated Promissory Note with a revised annual interest rate of 7.00% commencing on January 1, 2016 and extended the maturity of the Second Amended and Restated Subordinated Promissory Note to April 30, 2018 with a seller put option effective on April 30, 2017. The Company repaid $1.0 million and $0.5 million of principal on this Second Amended and Restated Subordinated Promissory Note during 2016 and 2015, respectively. As a result of the seller put option, the Company has classified the $2 million outstanding balance to current liability as of September 30, 2016.

The Company was in compliance with all debt covenants at September 30, 2016 and December 31, 2015.

Looking Forward

As a result of our IPO, we received $163.1 million of net cash proceeds in July 2015. In addition, we refinanced our debt in July 2016 which provides for additional borrowing capacity. Currently, we anticipate negative EBITDA results through the end of 2017.

We believe that our existing cash and cash equivalents will be sufficient to meet our working capital and capital expenditure needs for at least the next 12 months. Our future capital requirements will depend on many factors including our growth rate, contract renewal activity, number of visits, the timing and extent of spending to support product development efforts, our expansion of sales and marketing activities, the introduction of new and enhanced services offerings and the continuing market acceptance of telehealth. We may in the future enter into arrangements to acquire or invest in complementary businesses, services and technologies and intellectual property rights. We may be required to seek additional equity or debt financing. In the event that additional financing is required from outside sources, we may not be able to raise it on terms acceptable to us or at all. If we are unable to raise additional capital when desired, our business, financial condition and results of operations would be adversely affected.

2016 Shelf Registration

We filed a shelf registration statement on Form S-3 under the Securities Act on September 30, 2016, which was declared effective October 5, 2016 (the “2016 Shelf”). Under the 2016 Shelf at the time of effectiveness, we had the

Table of Contents

ability to raise up to $300 million by selling common stock in addition to 2,000,000 shares of existing shareholders registered common stock.

Contractual Obligations and Commitments

The following summarizes our contractual obligations as of September 30, 2016:

	Payment Due by Period				
	Total	Less than 1 Year	1 to 3 Years	4 to 5 Years	More than 5 Years
	(in thousands)				
Operating leases	$ 11,734	$ 1,816	$ 2,856	$ 2,565	$ 4,497
Obligations under SVB Facilities and AmeriDoc Promissory Note	44,490	2,000	42,490	—	—
Interest associated with long-term debt	8,750	3,172	5,578	—	—
Total	$ 64,974	$ 6,988	$ 50,924	$ 2,565	$ 4,497

Our existing office and hosting co-location facilities lease agreements provide us with the option to renew and generally provide for rental payments on a graduated basis. Our future operating lease obligations would change if we entered into additional operating lease agreements as we expand our operations and if we exercised the office and hosting co-location facilities lease options. The contractual commitment amounts in the table above are associated with agreements that are enforceable and legally binding and that specify all significant terms, including fixed or minimum services to be used, fixed, minimum or variable price provisions and the approximate timing of the transaction. Obligations under contracts that we can cancel without a significant penalty are not included in the table above. For abandoned facilities, the above contractual obligation schedule does not reflect any realized or potential sublease revenue.

Off-Balance Sheet Arrangements

During the periods presented, we did not have, nor do we currently have, any relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities, which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. We are therefore not exposed to the financing, liquidity, market or credit risk that could arise if we had engaged in those types of relationships.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Interest Rate Risk

We have floating rate debt with our Term Loan Facility and Revolving Advance Facility, and cash equivalents that are subject to interest rate volatility, which is our principal market risk. A 25 basis point change in the weighted average interest rate relating to the Term Loan Facility and Revolving Advance Facility as of September 30, 2016, which are subject to variable interest rates based on the prime rate, would yield a change of approximately $106,000 in annual interest expense. We do not expect cash flows to be affected to any significant degree by a sudden change in market interest rates.

Item 4. Controls and Procedures

In designing and evaluating our disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated, as of the end of the period covered by this Quarterly Report on Form 10-Q, the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")). Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective at the reasonable assurance level as of September 30, 2016.

No changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under

Table of Contents

the Exchange Act) occurred during the fiscal quarter ended September 30, 2016 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. The material weakness in our internal control over financial reporting previously identified in the 2015 Annual Report on Form 10-K had been remediated by June 30, 2016.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

We are subject to legal proceedings, claims and litigation arising in the ordinary course of our business.

On April 29, 2015, the Company filed a lawsuit against the Texas Medical Board ("TMB") in the United States District Court for the Western District of Texas, Austin Division alleging that the TMB's adoption on April 10, 2015 of an amendment to 22 T.A.C. 190.8(1)(L) that would require a prior in-person examination for a doctor validly to prescribe any controlled substance to a patient in Texas constitutes a violation, inter alia, of the Sherman Antitrust Act. The District Court held a hearing on May 22, 2015 on Teladoc's motion for preliminary injunction of the effectiveness of such amendment, which otherwise was scheduled to take effect on June 3, 2015. On May 29, 2015, the District Court issued the preliminary injunction requested by Teladoc and enjoined the effectiveness of such rule amendment pending trial. On July 30, 2015, the TMB filed a motion to dismiss the suit, and the District Court denied this motion on December 14, 2015. On January 8, 2016, the TMB provided notice of its intent to appeal the District Court's denial of its motion to dismiss to the U.S. Court of Appeals for the Fifth Circuit, which was filed on June 17, 2016 and was subsequently withdrawn by the TMB on October 17, 2016. On January 14, 2016, the District Court granted the parties' joint motion to stay the trial case pending the aforementioned appeal. Accordingly, no trial date has been set.

Business in the State of Texas accounted for approximately $11.1 million (or 13%), and $12.6 million (or 16%), of the Company's consolidated revenue for the nine months ended September 30, 2016 and during the year ended December 31, 2015, respectively. If the TMB's revisions go into effect as written and Teladoc is unable to adapt its business model in compliance with the TMB rule, its ability to operate its business in the State of Texas could be materially adversely affected, which would have a material adverse effect on its business, financial condition and results of operations.

On June 8, 2015, American Well Corporation filed a complaint against Teladoc in the United States District Court for the District of Massachusetts alleging that certain of its operating platform's technology infringes one of American Well's patents, which patent Teladoc is seeking to invalidate pursuant to a petition for inter partes review that Teladoc filed with the U.S. Patent and Trademark Office's Patent Trial and Appeals Board in March 2015. On June 13, 2016, the District Court dismissed the complaint against Teladoc on the basis that the intellectual property claims American Well sought to protect were not of patentable subject matter. On July 15, 2016, American Well filed notice with the District Court of its intent to appeal the court's decision.

Item 1A. Risk Factors

In addition to the other information set forth in this Quarterly Report on Form 10-Q, you should carefully consider the factors discussed in the "Special Note Regarding Forward-Looking Statements" section in Part I, Item 2, of this Quarterly Report on Form 10-Q.

Our business faces significant risks and uncertainties. Certain important factors may have a material adverse effect on our business prospects, financial condition and results of operations, and you should carefully consider them. Accordingly, in evaluating our business, we encourage you to consider the following discussion of risk factors, in its entirety, in addition to other information contained in or incorporated by reference into this Quarterly Report on

Form 10-Q and our other public filings with the SEC. Other events that we do not currently anticipate or that we currently deem immaterial may also affect our business, prospects, financial condition and results of operations.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

On June 30, 2015, the Securities and Exchange Commission (the “SEC”) declared effective our Registration Statement on Form S-1 (File No. 333-204577), as amended, filed in connection with the initial public offering of our common stock. Pursuant to the Registration Statement and to a 462(b) Registration Statement filed on June 30, 2015 (File No. 333-204577), we registered the offer and sale of 9,487,500 shares of common stock with an aggregate offering price of approximately $163.5 million. On July 7, 2015 (“Closing Date”), we issued and sold 8,250,000 shares of our

33

common stock at a price to the public of $19.00 per share (the “Offering”). J.P. Morgan Securities LLC and Deutsche Bank Securities Inc. acted as joint book-running managers for the offering, and William Blair & Company, L.L.C., Wells Fargo Securities, LLC and SunTrust Robinson Humphrey, Inc. acted as co-managers. On July 1, 2015, the underwriters exercised their option to purchase additional shares pursuant to the underwriting agreement (the “Over-Allotment Option”). On July 7, 2015, we closed the Over-Allotment Option, and we sold 1,237,500 shares at a price to the public of $19.00 per share.

As a result of the Offering and the Over-Allotment Option, we received net proceeds of approximately $163.1 million in the aggregate, which is comprised of gross proceeds of approximately $180.2 million, offset by underwriting discounts and commissions of approximately $12.6 million and other offering expenses of approximately $4.5 million. No payments for such expenses were made directly or indirectly to (i) any of our officers or directors or their associates, (ii) any persons owning 10% or more of any class of our equity securities or (iii) any of our affiliates. The Offering and the Over-Allotment Option terminated after all registered securities had been sold.

The net proceeds of approximately $163.1 million from our initial public offering have been invested in short-term investment grade, interest-bearing corporate obligations. There has been no material change in the expected use of the net proceeds from our initial public offering as described in our final prospectus, dated June 30, 2015, filed with the SEC pursuant to Rule 424(b) relating to our Registration Statement on Form S-1.

Item 6. Exhibits and Reports on Form 8-K

A list of exhibits is set forth on the Exhibit Index immediately following the signature page of this Form 10-Q, and is incorporated herein by reference.

Table of Contents

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

	TELADOC, INC.	
Date: October 27, 2016	By:	/s/ JASON GOREVIC
	Name:	Jason Gorevic
	Title:	President and Chief Executive Officer
Date: October 27, 2016	By:	/s/ MARK HIRSCHHORN
	Name:	Mark Hirschhorn
	Title:	Executive Vice President, Chief Operating Officer and Chief Financial Officer

Table of Contents

Exhibit

Index

		Incorporated by Reference				
Exhibit Number	Exhibit Description	Form	File No.	Exhibit	Filing Date	Filed Herewith
3.1	Fifth Amended and Restated Certificate of Incorporation of Teladoc, Inc.	8-K	001-37477	3.1	7/07/15	
3.2	Amended and Restated Bylaws of Teladoc, Inc.	8-K	001-37477	3.2	7/07/15	
4.1	Specimen stock certificate evidencing shares of the common stock.	S-1/A	333-204577	4.5	6/24/15	
4.2	Warrant to Purchase Common Stock dated July 11, 2016	8-K	001-37477	4.1	7/15/16	
4.3	Warrant to Purchase Common Stock dated July 11, 2016	8-K	001-37477	4.2	7/15/16	
10.1	Form of Indemnification Agreement.	S-1/A	333-204577	10.7	6/18/15	
10.2	Teladoc, Inc. 2015 Incentive Award Plan.	S-1/A	333-204577	10.10	6/18/15	
10.3	Form of Stock Option Agreement under the Teladoc, Inc. 2015 Incentive Award Plan.	S-1/A	333-204577	10.11	6/18/15	
10.4	Form of Restricted Stock Agreement under the Teladoc, Inc. 2015 Incentive Award Plan.	S-1/A	333-204577	10.12	6/18/15	
10.5	Form of Restricted Stock Unit Agreement under the Teladoc, Inc. 2015 Incentive Award Plan.	S-1/A	333-204577	10.13	6/18/15	
10.6	Teladoc, Inc. 2015 Employee Stock Purchase Plan.	S-1/A	333-204577	10.14	6/18/15	
10.7	Teladoc, Inc. Non-Employee Director Compensation Program, as amended.	8-K	001-37477	10.7	8/03/16	
10.8		S-1/A	333-204577	10.19	6/18/15	

	Amended and Restated Executive Employment Agreement, dated June 16, 2015, by and between Teladoc, Inc. and Jason Gorevic.				
10.9	Amended and Restated Executive Employment Agreement, dated June 16, 2015, by and between Teladoc, Inc. and Mark Hirschhorn.	S-1/A	333-204577	10.20	6/18/15
10.10	Amended and Restated Executive Employment Agreement, dated June 16, 2015, by and between Teladoc, Inc. and Michael King.	S-1/A	333-204577	10.21	6/18/15
10.11	Agreement and Plan of Merger, dated as of June 29, 2016, by and among Teladoc, Inc., Copper Acquisition Sub One, Inc., Copper Acquisition Sub Two, Inc., HY Holdings, Inc. and Frontier Fund IV, L.P., as stockholder representative.	8-K	001-37477	2.1	7/06/16

Table of Contents

10.12	Joinder and Third Loan Modification Agreement dated as of July 11, 2016 to Amended and Restated Loan and Security Agreement dated as of May 2, 2014, as amended, among the Company, its subsidiaries, Silicon Valley Bank (SVB) and the lenders party thereto.	8-K	001-37477	10.1	7/15/16	
10.13	Amended and Restated Loan and Security Agreement among the Company, its subsidiaries, SVB and the lenders party thereto dated as of May 2, 2014.	8-K	001-37477	10.2	7/15/16	
10.14	Credit Agreement dated as of July 11, 2016 among the Company, its subsidiaries, SVB and the lenders party thereto.	8-K	001-37477	10.3	7/15/16	
21.1	Subsidiaries of the Registrant.	S-1/A			7/01/15	
31.1	Chief Executive Officer—Certification pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					*
31.2	Chief Financial Officer—Certification pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					*
32.1	Chief Executive Officer—Certification pursuant to Rule13a-14(b) or Rule 15d-14(b) of the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.					**
32.2	Chief Financial Officer—Certification pursuant to Rule 13a-14(b) or Rule 15d-14(b) of the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.					**
101.INS	XBRL Instance Document.					*
101.SCH	XBRL Taxonomy Extension Schema Document.					*
101.CAL	XBRL Taxonomy Calculation Linkbase Document.					*
101.DEF	XBRL Definition Linkbase Document.					*
101.LAB	XBRL Taxonomy Label Linkbase Document.					*

101.PRE	XBRL Taxonomy Presentation Linkbase Document.	*

*Filed herewith.

**Furnished herewith.

37