AGENUS INC
Form 10-Q
August 07, 2017

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2017

or

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

Commission File Number: 000-29089

Agenus Inc.

(exact name of registrant as specified in its charter)

Delaware	06-1562417
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

3 Forbes Road, Lexington, Massachusetts 02421

(Address of principal executive offices, including zip code)

Registrant's telephone number, including area code:

(781) 674-4400

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

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

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

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

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

Number of shares outstanding of the issuer's Common Stock as of July 31, 2017: 99,712,305 shares

Agenus Inc.

Six Months Ended June 30, 2017

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

AGENUS INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

	June 30, 2017	December 31, 2016
ASSETS		
Cash and cash equivalents	$81,829,729	$71,448,016
Short-term investments	14,936,047	4,988,751
Inventories	87,000	88,200
Accounts Receivable	3,943,904	11,352,022
Prepaid expenses	8,943,072	2,596,675
Other current assets	950,615	838,538
Total current assets	110,690,367	91,312,202
Property, plant and equipment, net of accumulated amortization and depreciation of $33,096,539 and $31,243,967 at June 30, 2017 and December 31, 2016, respectively	25,575,340	25,633,985
Goodwill	23,351,728	22,392,411
Acquired intangible assets, net of accumulated amortization of $4,420,834 and $3,193,092 at June 30, 2017 and December 31, 2016, respectively	15,590,903	16,364,726
Other long-term assets	1,282,662	1,282,662
Total assets	$176,491,000	$156,985,986
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current portion, long-term debt	$146,061	$146,061
Current portion, deferred revenue	2,645,302	2,610,719
Accounts payable	4,571,916	5,428,452
Accrued liabilities	20,569,516	27,874,703
Other current liabilities	4,979,607	4,791,265
Total current liabilities	32,912,402	40,851,200
Long-term debt, net of current portion	138,530,646	130,542,424
Deferred revenue, net of current portion	11,192,448	12,344,782
Contingent purchase price considerations	6,500,000	7,561,000
Other long-term liabilities	4,836,323	4,812,846
Commitments and contingencies		
STOCKHOLDERS' DEFICIT		
Preferred stock, par value $0.01 per share; 5,000,000 shares authorized:		
Series A-1 convertible preferred stock; 31,620 shares designated, issued, and outstanding at June 30, 2017 and December 31, 2016; liquidation value of $32,522,287 at June 30,2017	316	316
	996,026	877,949

Common stock, par value $0.01 per share; 240,000,000 shares authorized; 99,602,582 and 87,794,933 shares issued at June 30, 2017 and December 31, 2016, respectively		
Additional paid-in capital	938,412,195	866,854,348
Accumulated other comprehensive loss	(2,289,854)	(1,529,559)
Accumulated deficit	(954,599,502)	(905,329,320)
Total stockholders’ deficit	(17,480,819)	(39,126,266)
Total liabilities and stockholders’ deficit	$176,491,000	$156,985,986

See accompanying notes to unaudited condensed consolidated financial statements.

AGENUS INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Revenue:				
Service	$—	$—	$—	$147,456
Research and development	4,207,573	6,592,285	31,163,416	12,403,705
Total revenues	4,207,573	6,592,285	31,163,416	12,551,161
Operating expenses:				
Research and development	(25,824,431)	(22,361,786)	(58,464,422)	(47,400,264)
General and administrative	(8,136,252)	(7,117,232)	(15,905,760)	(16,348,753)
Contingent purchase price consideration fair value adjustment	865,000	(721,000)	1,061,000	(379,000)
Operating loss	(28,888,110)	(23,607,733)	(42,145,766)	(51,576,856)
Other expense:				
Non-operating income	1,649,811	(508,794)	2,389,946	(185,711)
Interest expense, net	(4,474,743)	(4,203,352)	(9,060,400)	(8,335,815)
Net loss	(31,713,042)	(28,319,879)	(48,816,220)	(60,098,382)
Dividends on Series A-1 convertible preferred stock	(51,344)	(51,021)	(102,608)	(101,962)
Net loss attributable to common stockholders	$(31,764,386)	$(28,370,900)	$(48,918,828)	$(60,200,344)
Per common share data:				
Basic and diluted net loss attributable to common stockholders	$(0.32)	$(0.33)	$(0.51)	$(0.69)
Weighted average number of common shares outstanding:				
Basic and diluted	99,201,975	86,964,777	96,370,777	86,825,646
Other comprehensive (loss) income:				
Foreign currency translation (loss) gain	$(628,456)	$(143,543)	$(760,295)	$395,088
Other comprehensive (loss) gain	(628,456)	(143,543)	(760,295)	395,088
Comprehensive loss	$(32,392,842)	$(28,514,443)	$(49,679,123)	$(59,805,256)

See accompanying notes to unaudited condensed consolidated financial statements.

AGENUS INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	Six Months Ended June 30,	
	2017	2016
Cash flows from operating activities:		
Net loss	$(48,816,220)	$(60,098,382)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	3,057,142	2,519,873
Share-based compensation	5,129,035	6,317,596
Non-cash interest expense	8,783,464	7,983,749
Loss on disposal of assets	9,209	—
Gain on issuance of stock for settlement of milestone obligation	(14,063)	—
Change in fair value of contingent obligations	(1,061,000)	379,000
Changes in operating assets and liabilities:		
Accounts receivable	7,408,118	434,257
Prepaid expenses	(6,330,969)	(802,505)
Accounts payable	(1,225,694)	474,526
Deferred revenue	(1,117,884)	(2,629,753)
Accrued liabilities and other current liabilities	(6,032,357)	5,385,328
Other operating assets and liabilities	(2,000,691)	11,452
Net cash used in operating activities	(42,211,910)	(40,024,859)
Cash flows from investing activities:		
Proceeds from sale of plant and equipment	120,000	—
Purchases of plant and equipment	(1,405,932)	(3,164,423)
Purchases of held-to-maturity securities	(14,936,047)	(49,895,350)
Proceeds from securities held-to-maturity	5,000,000	35,000,000
Net cash used in investing activities	(11,221,979)	(18,059,773)
Cash flows from financing activities:		
Net proceeds from sale of equity	63,677,302	—
Proceeds from employee stock purchases and option exercises	342,476	471,357
Purchase of treasury shares to satisfy tax withholdings	(527,223)	(667,050)
Payment under a purchase agreement for in-process research and development	—	(5,000,000)
Payment of capital lease obligation	(133,300)	(24,110)
Net cash provided by (used in) financing activities	63,359,255	(5,219,803)
Effect of exchange rate changes on cash	456,347	(696)
Net increase (decrease) in cash and cash equivalents	10,381,713	(63,305,131)
Cash and cash equivalents, beginning of period	71,448,016	136,702,873
Cash and cash equivalents, end of period	$81,829,729	$73,397,742
Supplemental cash flow information:		
Cash paid for interest	$555,397	$555,397
Supplemental disclosures - non-cash activities:		
Purchases of plant and equipment in accounts payable and accrued liabilities	355,814	62,219
Issuance of common stock, $0.01 par value, issued in connection with the	1,485,937	—

settlement of milestone obligation

See accompanying notes to unaudited condensed consolidated financial statements.

AGENUS INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2017

Note A - Business, Liquidity and Basis of Presentation

Agenus Inc. (including its subsidiaries, collectively referred to as “Agenus,” the “Company,” “we,” “us,” and “our”) is a clinical-stage immuno-oncology company focused on the discovery and development of therapies that engage the body’s immune system to fight cancer. Our approach to cancer immunotherapy involves a diverse portfolio of antibody-based therapeutics, adjuvants and cancer vaccine platforms. We, in collaboration with our partners, are developing a number of immuno-modulatory antibodies against important nodes of immune regulation. These include antibodies targeting CTLA-4, GITR, OX40 and PD-1 that are in clinical development. Our discovery pipeline consists of a number of proprietary checkpoint modulating (“CPM”) antibodies against innovative targets such as TIGIT and 4-1BB (also known as CD137). We believe that tailored combination therapies are essential to combat some of the most resistant cancers. Accordingly, our immune education strategy focuses on pursing antibodies as well as vaccine candidates in conjunction with adjuvants. We are developing a comprehensive immuno-oncology portfolio driven by the following platforms and programs, which we intend to utilize individually and in combination:

- our antibody discovery platforms, including our Retrocyte Display™, SECANT® yeast display, and phage display technologies designed to produce quality human antibodies;
- our antibody candidate programs, including our CPM programs;
- our vaccine programs, including Prophage™, AutoSynVax™ and PhosPhoSynVax™; and
- our saponin-based vaccine adjuvants, principally our QS-21 Stimulon® adjuvant (“QS-21 Stimulon”).

Our business activities have included product research and development, intellectual property prosecution, manufacturing, regulatory and clinical affairs, corporate finance and development activities, and support of our collaborations. Our product candidates require clinical trials and approvals from regulatory agencies, as well as acceptance in the marketplace. Part of our strategy is to develop and commercialize some of our product candidates by continuing our existing arrangements with academic and corporate collaborators and licensees and by entering into new collaborations.

Our cash, cash equivalents, and short-term investments at June 30, 2017 were $96.8 million, an increase of $20.3 million from December 31, 2016.

The following table outlines our quarter end cash, cash equivalents and short-term investments balances and the changes therein.

	Quarter Ended	
	March 31, 2017	June 30, 2017
Cash, cash equivalents and short-term investments	$123.8	$96.8
Increase (decrease) in cash, cash equivalents and short-term investments	$47.4	$(27.0)

Cash used in operating activities	$14.8	$27.4
Reported net loss	$17.3	$31.7

As of December 31, 2016, we along with all public companies, adopted the provisions of Accounting Standards Update 2014-15 ("ASU 2014-15"), Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern which requires management to assess the Company's ability to continue as a going concern for twelve months after the date each periodic financial statement is issued. This disclosure is a result of and in accordance with the provisions of this standard. We have incurred significant losses since our inception. As of June 30, 2017, we had an accumulated deficit of $954.6 million. Since our inception, we have successfully financed our operations primarily through the sale of equity and convertible and other notes, corporate partnerships, and interest income earned on cash, cash equivalents, and short-term investments balances. Based on our current plans and activities, our cash, cash equivalents and short-term investments balance of $96.8 million as of June 30, 2017 would only be sufficient to satisfy our liquidity requirements through the first quarter of 2018 without any additional funding before that time, which we anticipate. Regardless of this anticipated funding, in accordance with ASU 2014-15 this is deemed to be a condition which raises substantial doubt regarding our ability to continue as a going concern for at least one year from when these financial statements were issued. In order to continue as a going concern, we expect to raise additional funding from currently contemplated transactions before year end. We also continue to monitor the likelihood of success of our key initiatives and are prepared to discontinue funding of such activities if they do not prove to be feasible, restrict capital expenditures and/or reduce the scale of our operations, if necessary.

Our future liquidity needs will be determined primarily by the success of our operations with respect to the progression of our product candidates and key development and regulatory events in the future. We anticipate raising additional funding by: (1) pursuing collaboration, out-licensing and/or partnering opportunities for our portfolio programs and product candidates with one or more third parties, (2) renegotiating third party agreements, (3) selling assets, (4) securing additional debt financing and/or (5) selling equity securities. We believe the execution of one or more of these transactions will enable us to fund our planned operations for at least one year from when these financial statements were issued. Our ability to address our liquidity needs will largely be determined by the success of our product candidates and key development and regulatory events and our decisions in the future as well as the execution of one or more of the aforementioned contemplated transactions.

The accompanying unaudited interim condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP") for interim financial information and with the instructions to Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete annual consolidated financial statements. In the opinion of our management, the condensed consolidated financial statements include all normal and recurring adjustments considered necessary for a fair presentation of our financial position and operating results. All significant intercompany transactions and accounts have been eliminated in consolidation. Operating results for the six months ended June 30, 2017, are not necessarily indicative of the results that may be expected for the year ending December 31, 2017. For further information, refer to our consolidated financial statements and footnotes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2016 filed with the Securities and Exchange Commission (the "SEC") on March 16, 2017.

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Management bases its estimates on historical experience and on various assumptions that are believed to be reasonable under the circumstances. Actual results could differ materially from those estimates.

For our foreign subsidiaries the local currency is the functional currency. Assets and liabilities of our foreign subsidiaries are translated into U.S. dollars using rates in effect at the balance sheet date while revenues and expenses are translated into U.S. dollars using average exchange rates during the period. The cumulative translation adjustment resulting from changes in exchange rates are included in the consolidated balance sheets as a component of accumulated other comprehensive loss in total stockholders' deficit.

Note B - Net Loss Per Share

Basic net loss per common share is calculated by dividing the net loss attributable to common stockholders by the weighted average number of common shares outstanding (including common shares issuable under our Directors' Deferred Compensation Plan, or "DDCP"). Diluted income per common share is calculated by dividing net income attributable to common stockholders by the weighted average number of common shares outstanding (including common shares issuable under our DDCP) plus the dilutive effect of outstanding instruments such as warrants, stock options, nonvested shares, convertible preferred stock, and convertible notes. Because we reported a net loss attributable to common stockholders for all periods presented, diluted loss per common share is the same as basic loss per common share, as the effect of utilizing the fully diluted share count would have reduced the net loss per common share. Therefore, the following potentially dilutive securities have been excluded from the computation of diluted weighted average shares outstanding as of June 30, 2017 and 2016, as they would be anti-dilutive:

	Six Months Ended June 30,	
	2017	2016
Warrants	4,351,450	4,351,450
Stock options	15,287,781	11,659,125
Nonvested shares	2,022,324	1,999,294
Convertible preferred stock	333,333	333,333

Note C - Investments

Cash equivalents and short-term investments consisted of the following as of June 30, 2017 and December 31, 2016 (in thousands):

	June 30, 2017		December 31, 2016	
	Cost	Estimated Fair Value	Cost	Estimated Fair Value
Institutional money market funds	$60,669	$ 60,669	$38,913	$ 38,913
U.S. Treasury Bills	34,890	34,890	14,978	14,978
Total	$95,559	$ 95,559	$53,891	$ 53,891

For the six months ended June 30, 2017, we received proceeds of approximately $5.0 million from the maturity of U.S. Treasury Bills classified as short-term investments. As a result of the short-term nature of our investments, there were minimal unrealized holding gains or losses for the three and six months ended June 30, 2017 and 2016.

Of the investments listed above, $80.6 million and $48.9 million have been classified as cash equivalents and $14.9 million and $5.0 million as short-term investments on our condensed consolidated balance sheets as of June 30, 2017 and December 31, 2016, respectively.

Note D - Goodwill and Acquired Intangible Assets

The following table sets forth the changes in the carrying amount of goodwill for the six months ended June 30, 2017 (in thousands):

Balance, December 31, 2016	$22,392
Foreign currency translation adjustment	960
Balance, June 30, 2017	$23,352

Acquired intangible assets consisted of the following as of June 30, 2017 and December 31, 2016 (in thousands):

	As of June 30, 2017 Amortization period (years)	Gross carrying amount	Accumulated amortization	Net carrying amount
Intellectual property	7-15 years	$ 16,630	$ (3,374)	$ 13,256
Trademarks	4.5 years	842	(631)	211
Other	2-6 years	575	(416)	159
In-process research and development	Indefinite	1,965	—	1,965
Total		$ 20,012	$ (4,421)	$ 15,591

	As of December 31, 2016 Amortization period (years)	Gross carrying amount	Accumulated amortization	Net carrying amount
Intellectual property	7-15 years	$ 16,358	$ (2,384)	$ 13,973
Trademarks	4.5 years	791	(505)	286

Other	2-6 years	563	(303)	260
In-process research and development	Indefinite	1,846	—	1,846
Total		$ 19,558	$ (3,193)	$ 16,365

The weighted average amortization period of our finite-lived intangible assets is 9 years. Amortization expense related to acquired intangibles is estimated at $1.1 million for the remainder of 2017, $2.0 million for the year ending December 31, 2018, $1.9 million for the year ending December 31, 2019 and $1.9 million for each of the years ending December 31, 2020 and 2021.

Note E - Debt

Debt obligations consisted of the following as of June 30, 2017 and December 31, 2016(in thousands):

Debt instrument	Principal at June 30, 2017	Non-cash Interest	Unamortized Debt Issuance Costs	Unamortized Debt Discount	Balance at June 30, 2017
Current Portion:					
Debentures	$ 146	$ —	$ —	$ —	$ 146
Long-term Portion:					
2015 Subordinated Notes	14,000	—	—	(1,642)	12,358
Note Purchase Agreement	100,000	27,664	(1,279)	(212)	126,173
Total long-term	$ 114,000	$ 27,664	$ (1,279)	$ (1,854)	$ 138,531
Total	$ 114,146	$ 27,664	$ (1,279)	$ (1,854)	$ 138,677

Debt instrument	Principal at December 31, 2016	Non-cash Interest	Unamortized Debt Issuance Costs	Unamortized Debt Discount	Balance at December 31, 2016
Current Portion:					
Debentures	$ 146	$ —	$ —	$ —	$ 146
Long-term Portion:					
2015 Subordinated Notes	14,000	—	—	(1,311)	12,689
Note Purchase Agreement	100,000	19,421	(1,345)	(222)	117,853
Total long-term	$ 114,000	$ 19,421	$ (1,345)	$ (1,533)	$ 130,542
Total	$ 114,146	$ 19,421	$ (1,345)	$ (1,533)	$ 130,688

In June 2016, we executed a capital lease agreement that expires in June 2020 for equipment with a carrying value of approximately $0.9 million, which is included in property, plant and equipment, net on our condensed consolidated balance sheets as of June 30, 2017. Under the terms of the capital lease agreement, we will remit payments to the lessor of $144,000 for the remainder of 2017, $288,000 for each of the years 2018 through 2019 and $144,000 for the year ending December 31, 2020. As of June 30, 2017, our remaining obligations under the capital lease agreement are approximately $0.8 million, of which $290,000 and $465,000 are classified as other current and other long-term liabilities, respectively, on our condensed consolidated balance sheets.

In March 2017, we and the holders of our subordinated notes issued in February 2015 (the “2015 Subordinated Notes”) entered into an Amendment to Notes and Warrants, pursuant to which the parties (i) extended the term of the 2013 Warrants by two years from April 15, 2017 to April 15, 2019 and (ii) extended the maturity date of the 2015 Notes by two years from February 20, 2018 to February 20, 2020. This resulted in an additional debt discount of $0.7 million, which will be amortized using the effective interest method over three years, the expected life of the 2015 Subordinated Notes. The 2013 Warrants and 2015 Subordinated Notes are otherwise unchanged.

Note F - Accrued and Other Current Liabilities

Accrued liabilities consisted of the following as of June 30, 2017 and December 31, 2016 (in thousands):

	June 30, 2017	December 31, 2016
Payroll	$4,757	$ 6,504
Professional fees	3,968	2,373
Contract manufacturing costs	5,270	10,492
Research services	5,224	5,639
Leasehold improvements	10	1,280
Other	1,341	1,587
Total	$20,570	$ 27,875

Other current liabilities consisted of the following as of June 30, 2017 and December 31, 2016 (in thousands):

	June 30, 2017	December 31, 2016
Current portion of deferred purchase price	$4,000	$ 3,948
Other	980	843
Total	$4,980	$ 4,791

Note G - Fair Value Measurements

We measure our cash equivalents and short-term investments and contingent purchase price considerations at fair value. Our cash equivalents and short-term investments are comprised solely of U.S. Treasury Bills that are valued using quoted market prices with no valuation adjustments applied. Accordingly, these securities are categorized as Level 1 assets.

The fair values of our contingent purchase price considerations, $6.5 million, are based on significant inputs not observable in the market, which require them to be reported as Level 3 liabilities within the fair value hierarchy. The valuation of these liabilities use assumptions we believe would be made by a market participant and are based on estimates from a Monte Carlo simulation of our market capitalization and share price, and other factors impacting the probability of triggering the milestone payments. Market capitalization and share price were evolved using a geometric brownian motion, calculated daily for the life of the contingent purchase price considerations.

Assets and liabilities measured at fair value are summarized below (in thousands):

Description	June 30, 2017	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Cash equivalents	$ 19,954	$ 19,954	$ —	$ —
Short-term investments	14,936	14,936	—	—
Total	$ 34,890	$ 34,890	$ —	$ —
Liabilities:				
Contingent purchase price considerations	$ 6,500	$ —	$ —	$ 6,500
Total	$ 6,500	$ —	$ —	$ 6,500

Description	December 31, 2016	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Cash equivalents	$ 9,990	$ 9,990	$ —	$ —
Short-term investments	4,988	4,988	—	—
Total	$ 14,978	$ 14,978	$ —	$ —
Liabilities:				

Contingent purchase price consideration	$ 7,561	$ —	$ —	$ 7,561
Total	$ 7,561	$ —	$ —	$ 7,561

The following table presents our liabilities measured at fair value using significant unobservable inputs (Level 3), as of June 30, 2017 (in thousands):

Balance, December 31, 2016	$7,561
Change in fair value of contingent purchase price considerations during the period	(1,061)
Balance, June 30, 2017	$6,500

The estimated fair values of all of our financial instruments, excluding our outstanding debt, approximate their carrying amounts in our condensed consolidated balance sheets.

The fair value of our outstanding debt balance at June 30, 2017 and December 31, 2016 was $136.5 million and $129.2 million, respectively, based on the Level 2 valuation hierarchy of the fair value measurements standard using a present value methodology that was derived by evaluating the nature and terms of each note and considering the prevailing economic and market conditions at the balance sheet date. The principal amount of our outstanding debt balance at both June 30, 2017 and December 31, 2016 was $114.1 million.

Note H - Collaboration Agreement

On February 14, 2017, we amended our License, Development and Commercialization Agreement, dated January 9, 2015, with Incyte Corporation ("Incyte") by entering into a First Amendment to License, Development and Commercialization Agreement (the "Amendment"). Pursuant to the terms of the Amendment, the GITR and OX40 programs immediately converted from profit-share programs to royalty-bearing programs and we became eligible to receive a flat 15% royalty on global net sales should any candidates from either of these two programs be approved. Incyte is now responsible for global development and commercialization and all associated costs for these programs. In addition, the profit-share programs relating to the two undisclosed targets were removed from the collaboration, with one reverting to Incyte and one to us. Should any of those programs be successfully developed by a party, the other party will be eligible to receive the same milestone payments as the royalty-bearing programs and royalties at a 15% rate on global net sales. The terms for the remaining three royalty-bearing programs targeting TIM-3, LAG-3 and one undisclosed target remain unchanged, with Incyte being responsible for global development and commercialization and all associated costs. The Amendment gives Incyte exclusive rights and all decision-making authority for manufacturing, development, and commercialization with respect to all royalty-bearing programs.

In connection with the Amendment, Incyte paid us $20.0 million in accelerated milestones related to the clinical development of the antibody candidates targeting GITR and OX40. We are now eligible to receive up to an additional $510.0 million in future potential development, regulatory and commercial milestones across all programs in the collaboration. The Company recognized the $20.0 million received as revenue during the six months ended June 30, 2017.

On February 14, 2017, we also entered into a Stock Purchase Agreement (the "Stock Purchase Agreement") with Incyte, pursuant to which Incyte purchased 10 million shares of our common stock (the "Shares") at a purchase price of $6.00 per share. Immediately following the transaction, Incyte owned approximately 18.1% of our outstanding shares. Under the Stock Purchase Agreement, Incyte agreed not to dispose of any of the Shares for a period of 12 months and to vote the Shares in accordance with the recommendations of the Agenus board of directors in connection with certain equity incentive plan or compensation matters for a period of 18 months, and we agreed to certain registration rights with respect to the Shares. Under the Amendment, the parties also revised the existing standstill provision to permit Incyte's acquisition of the Shares, but Incyte is precluded from acquiring any additional shares of our voting stock until December 31, 2019.

Note I - Share-based Compensation Plans

We primarily use the Black-Scholes option pricing model to value stock options granted to employees and non-employees, including stock options granted to members of our Board of Directors. All stock options have 10-year terms and generally vest ratably over a 3 or 4-year period. A non-cash charge to operations for the stock options granted to non-employees that have vesting or other performance criteria is affected each reporting period, until the non-employee options vest, by changes in the fair value of our common stock.

A summary of option activity for the six months ended June 30, 2017 is presented below:

	Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value
Outstanding at December 31, 2016	11,693,400	$ 4.52		
Granted	4,020,507	3.78		
Exercised	(45,950)	3.14		
Forfeited	(249,163)	5.02		
Expired	(131,013)	6.67		
Outstanding at June 30, 2017	15,287,781	$ 4.30	7.66	$3,318,756
Vested or expected to vest at June 30, 2017	15,285,056	$ 4.30		