AVEO PHARMACEUTICALS INC
Form 10-Q
August 10, 2015

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-Q

(Mark One)

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

OR

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

Commission file number 001-34655

AVEO PHARMACEUTICALS, INC.

(Exact Name of Registrant as Specified in Its Charter)

Delaware	04-3581650
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)

One Broadway, 14th Floor, Cambridge, Massachusetts 02142

(Address of Principal Executive Offices) (Zip Code)

(617) 588-1960

(Registrant's Telephone Number, Including Area Code)

650 East Kendall Street, Cambridge, Massachusetts 02142

(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report)

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

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

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

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

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

Number of shares of the registrant's Common Stock, $0.001 par value, outstanding on August 3, 2015: 55,715,512

AVEO PHARMACEUTICALS, INC.

FORM 10-Q

FOR THE QUARTER ENDED JUNE 30, 2015

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.

AVEO PHARMACEUTICALS, INC.

Condensed Consolidated Balance Sheets

(In thousands, except par value amounts)

(Unaudited)

	June 30, 2015	December 31, 2014
Assets		
Current assets:		
Cash and cash equivalents	$26,766	$52,306
Restricted cash	2,862	2,997
Accounts receivable	2,320	2,341
Prepaid expenses and other current assets	1,428	1,484
Total current assets	33,376	59,128
Property and equipment, net	131	11,295
Other assets	188	239
Total assets	$33,695	$70,662
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	$1,567	$3,245
Accrued expenses	4,551	9,301
Loans payable, net of discount	7,985	11,722
Deferred revenue	384	537
Lease exit obligation	—	4,981
Deferred rent	—	10,569
Total current liabilities	14,487	40,355
Loans payable, net of current portion and discount	7,316	8,930
Other liabilities	656	771
Stockholders' equity:		
Preferred stock, $.001 par value: 5,000 shares authorized; no shares issued and outstanding	—	—
Common stock, $.001 par value: 200,000 shares authorized; 55,716 and 52,289 shares issued and outstanding at June 30, 2015 and December 31, 2014, respectively	56	52
Additional paid-in capital	507,538	500,582
Accumulated other comprehensive income (loss)	—	—
Accumulated deficit	(496,358)	(480,028)
Total stockholders' equity	11,236	20,606
Total liabilities and stockholders' equity	$33,695	$70,662

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

AVEO PHARMACEUTICALS, INC.

Condensed Consolidated Statements of Operations

(In thousands, except per share amounts)

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Collaboration revenue	$134	$1,846	$268	$17,135
Operating expenses:				
Research and development	1,841	9,300	4,536	21,067
General and administrative	2,889	4,846	6,144	10,400
Restructuring and lease exit	25	5,165	4,358	9,025
	4,755	19,311	15,038	40,492
Loss from operations	(4,621)	(17,465)	(14,770)	(23,357)
Other income and expense:				
Other (expense) income, net	(209)	(2)	(223)	5
Interest expense	(633)	(502)	(1,349)	(1,083)
Interest income	7	10	12	26
Other expense, net	(835)	(494)	(1,560)	(1,052)
Net loss	$(5,456)	$(17,959)	$(16,330)	$(24,409)
Net loss per share – basic and diluted	$(0.10)	$(0.35)	$(0.30)	$(0.47)
Weighted average number of common shares outstanding	55,164	51,663	53,908	51,649

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

AVEO PHARMACEUTICALS, INC.

Condensed Consolidated Statements of Comprehensive Loss

(In thousands)

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Net loss	$(5,456)	$(17,959)	$(16,330)	$(24,409)
Other comprehensive (loss) income:				
Unrealized (loss) gain on available-for-sale securities		(4)		4
Comprehensive loss	$(5,456)	$(17,963)	$(16,330)	$(24,405)

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

AVEO PHARMACEUTICALS, INC.

Condensed Consolidated Statements of Cash Flows

(In thousands)

(Unaudited)

	Six Months Ended June 30, 2015			2014		
Operating activities						
Net loss	$	(16,330	)	$	(24,409	)
Adjustments to reconcile net loss to net cash used in operating activities:						
Impairment of property and equipment		232			7,600	
Depreciation and amortization		9,464			1,690	
Accretion		224			—	
Loss on disposal of fixed assets		245			18	
Stock-based compensation		838			1,366	
Non-cash interest expense		244			100	
Amortization of premium and discount on investments		33			197	
Changes in operating assets and liabilities:						
Restricted cash		135			46	
Accounts receivable		21			(251	)
Tenant improvement allowance receivable		—			(9,069	)
Prepaid expenses and other current assets		56			(672	)
Other noncurrent assets		51			192	
Accounts payable		(1,678	)		(738	)
Accrued expenses		(4,743	)		3,763	
Deferred revenue		(153	)		(17,136	)
Lease exit obligation		(5,205	)		7,646	
Deferred rent		(10,569	)		(5,563	)
Other liabilities		(115	)		—	

Net cash used in operating activities		(27,250	)		(35,220	)
Investing activities						
Purchases of marketable securities		(8,808	)		(38,056	)
Proceeds from maturities and sales of marketable securities		8,775			83,967	
Purchases of property and equipment		—			(11,833	)
Proceeds from sale of property and equipment		1,221			—	
Net cash provided by investing activities		1,188			34,078	
Financing activities						
Proceeds from issuance of common stock, net of issuance costs		5,840			—	
Proceeds from exercise of stock options and issuance of common and restricted stock		275			30	
Principal payments on loans payable		(5,593	)		(6,352	)
Net cash provided by (used in) financing activities		522			(6,322	)
Net decrease in cash and cash equivalents		(25,540	)		(7,464	)
Cash and cash equivalents at beginning of period		52,306			50,826	
Cash and cash equivalents at end of period	$	26,766		$	43,362	
Supplemental cash flow information						
Cash paid for interest	$	1,162		$	1,040	

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

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AVEO Pharmaceuticals, Inc.

Notes to Condensed Consolidated Financial Statements

(Unaudited)

(1) Organization

AVEO Pharmaceuticals, Inc. (the “Company”) is a biopharmaceutical company committed to developing targeted therapies through biomarker-driven insights to provide substantial improvements in patient outcomes where significant unmet medical needs exist. The Company’s proprietary platform has delivered unique insights into cancer and related diseases. The Company’s development programs, which seek to advance its clinical stage assets, are as follows:

(i) Tivozanib: A potent, selective, long half-life vascular endothelial growth factor (“VEGF”) tyrosine kinase inhibitor (“TKI”) of VEGF receptors 1, 2 and 3. The Company is evaluating several paths for the development of tivozanib, including a second phase 3 trial of tivozanib in refractory renal cell carcinoma, or RCC, to support an application for U.S. regulatory approval; the filing of a Marketing Authorization Application to seek European regulatory approval for tivozanib in RCC on the basis of existing trial data; and a phase 2 study for tivozanib in the first line treatment of metastatic colorectal cancer, or CRC, in a subgroup of patients with low serum neuropilin-1 (below the median, representing 50% of the population), a cell surface protein that modulates blood vessel development. Furthermore, the Company has entered into agreements to allow it to monetize tivozanib in areas outside of the Company’s core strategic focus. The Company has granted Ophthotech Corporation an option to develop and commercialize tivozanib for use in non-oncologic ocular conditions, and the Company has sublicensed to a subsidiary of Pharmstandard OJCE exclusive rights to develop and commercialize tivozanib for all conditions (excluding non-oncologic ocular conditions) in Russia, Ukraine and the Commonwealth of Independent States (CIS).

(ii) Ficlatuzumab: A potent Hepatocyte Growth Factor inhibitory antibody. The Company has entered into a partnership with Biodesix, Inc. (“Biodesix”) to develop and commercialize ficlatuzumab with BDX004, a serum based diagnostic test. Pursuant to the Biodesix agreement, the Company has initiated a phase 2 confirmatory study of ficlatuzumab (the “FOCAL” study) in combination with erlotinib, an epidermal growth factor receptor (“EGFR”) TKI, in first line advanced non-small cell lung cancer patients who have an EGFR mutation and who are identified by the BDX004 test as being most likely to benefit from the addition of ficlatuzumab to erlotinib.

(iii) AV-203: A potent anti-ErbB3 (also known as HER3) specific monoclonal antibody with high ErbB3 affinity. The Company has observed potent anti-tumor activity in mouse models. AV-203 selectively inhibits the activity of the ErbB3 receptor, and the Company’s preclinical studies suggest that neuregulin-1 (also known as heregulin), levels predict AV-203 anti-tumor activity in preclinical models. The Company has completed a phase 1 dose escalation study of AV-203. The Company is seeking to pursue further clinical development of AV-203 with a strategic partner.

(iv) AV-380: A potent humanized IgG1 inhibitory monoclonal antibody targeting growth differentiating factor-15, (“GDF15”), a divergent member of the TGF-ß family, for the potential treatment or prevention of cachexia, a serious and common complication of advanced cancer and a number of chronic diseases including chronic kidney disease, congestive heart failure and chronic obstructive pulmonary disease. The Company has established preclinical proof of concept for GDF15 as a key driver of cachexia. The Company is evaluating partnership opportunities to continue the development of AV-380.

As used throughout these condensed consolidated financial statements, the terms “AVEO,” and the “Company” refer to the business of AVEO Pharmaceuticals, Inc. and its subsidiaries, AVEO Pharma Limited and AVEO Securities Corporation, both of which are wholly-owned.

The Company has devoted substantially all of its resources to its drug discovery efforts, comprising research and development, conducting clinical trials for its product candidates, protecting its intellectual property and the general and administrative functions relating to these operations.

The Company has an accumulated deficit as of June 30, 2015 of approximately $496.4 million, and will require substantial additional capital for research and product development.

(2) Basis of Presentation

These condensed consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, AVEO Pharma Limited and AVEO Securities Corporation. The Company has eliminated all significant intercompany accounts and transactions in consolidation.

The accompanying condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments, consisting of normal recurring accruals and revisions of estimates, considered necessary for a fair presentation of the condensed consolidated financial statements have been included. Interim results for the three and six months ended June 30, 2015 are not necessarily indicative of the results that may be expected for the fiscal year ending December 31, 2015 or any other future period.

The information presented in the condensed consolidated financial statements and related footnotes at June 30, 2015, and for the three and six months ended June 30, 2015 and 2014, is unaudited and the condensed consolidated balance sheet amounts and related footnotes as of December 31, 2014 have been derived from the Company's audited financial statements. For further information, refer to the consolidated financial statements and accompanying footnotes included in the Company's annual report on Form 10-K for the fiscal year ended December 31, 2014, which was filed with the U.S. Securities and Exchange Commission ("SEC") on March 6, 2015.

(3) Significant Accounting Policies

Revenue Recognition

The Company's revenues are generated primarily through collaborative research, development and commercialization agreements. The terms of these agreements generally contain multiple elements, or deliverables, which may include (i) licenses, or options to obtain licenses, to the Company's technology, (ii) research and development activities to be performed on behalf of the collaborative partner, and (iii) in certain cases, services in connection with the manufacturing of pre-clinical and clinical material. Payments to the Company under these arrangements typically include one or more of the following: non-refundable, up-front license fees; option exercise fees; funding of research and/or development efforts; milestone payments; and royalties on future product sales.

When evaluating multiple element arrangements, the Company considers whether the deliverables under the arrangement represent separate units of accounting. This evaluation requires subjective determinations and requires management to make judgments about the individual deliverables and whether such deliverables are separable from the other aspects of the contractual relationship. In determining the units of accounting, management evaluates certain criteria, including whether the deliverables have standalone value, based on the relevant facts and circumstances for each arrangement. The consideration received is allocated among the separate units of accounting using the relative selling price method, and the applicable revenue recognition criteria are applied to each of the separate units.

The Company determines the estimated selling price for deliverables within each agreement using vendor-specific objective evidence ("VSOE") of selling price, if available, third-party evidence ("TPE") of selling price if VSOE is not available, or best estimate of selling price if neither VSOE nor TPE is available. Determining the best estimate of selling price for a deliverable requires significant judgment. The Company typically uses best estimate of selling price to estimate the selling price for licenses to the Company's proprietary technology, since the Company often does not have VSOE or TPE of selling price for these deliverables. In those circumstances where the Company utilizes best estimate of selling price to determine the estimated selling price of a license to the Company's proprietary technology, the Company considers market conditions as well as entity-specific factors, including those factors contemplated in negotiating the agreements and internally developed models that include assumptions related to the market opportunity, estimated development costs, probability of success and the time needed to commercialize a product candidate pursuant to the license. In validating the Company's best estimate of selling price, the Company evaluates whether changes in the key assumptions used to determine the best estimate of selling price will have a significant effect on the allocation of arrangement consideration among multiple deliverables.

The Company typically receives non-refundable, up-front payments when licensing its intellectual property in conjunction with a research and development agreement. When management believes the license to its intellectual property does not have stand-alone value from the other deliverables to be provided in the arrangement, the Company generally recognizes revenue attributed to the license on a straight-line basis over the Company’s contractual or estimated performance period, which is typically the term of the Company’s research and development obligations. If management cannot reasonably estimate when the Company’s performance obligation ends, then revenue is deferred until management can reasonably estimate when the performance obligation ends. When management believes the license to its intellectual property has stand-alone value, the Company generally recognizes revenue attributed to the license upon delivery. The periods over which revenue should be recognized are subject to estimates by management and may change over the course of the research and development agreement. Such a change could have a material impact on the amount of revenue the Company records in future periods.

Payments or reimbursements resulting from the Company's research and development efforts for those arrangements where such efforts are considered as deliverables are recognized as the services are performed and are presented on a gross basis so long as there is persuasive evidence of an arrangement, the fee is fixed or determinable, and collection of the related receivable is reasonably assured. Amounts received prior to satisfying the above revenue recognition criteria are recorded as deferred revenue in the accompanying balance sheets.

At the inception of each agreement that includes milestone payments, the Company evaluates whether each milestone is substantive and at risk to both parties on the basis of the contingent nature of the milestone. This evaluation includes an assessment of whether (a) the consideration is commensurate with either (1) the entity's performance to achieve the milestone, or (2) the enhancement of the value of the delivered item(s) as a result of a specific outcome resulting from the entity's performance to achieve the milestone, (b) the consideration relates solely to past performance, and (c) the consideration is reasonable relative to all of the deliverables and payment terms within the arrangement. The Company evaluates factors such as the scientific, regulatory, commercial and other risks that must be overcome to achieve the respective milestone, the level of effort and investment required to achieve the respective milestone and whether the milestone consideration is reasonable relative to all deliverables and payment terms in the arrangement in making this assessment.

The Company aggregates its milestones into four categories: (i) clinical and development milestones, (ii) regulatory milestones, (iii) commercial milestones, and (iv) patent-related milestones. Clinical and development milestones are typically achieved when a product candidate advances into a defined phase of clinical research or completes such phase. For example, a milestone payment may be due to the Company upon the initiation of a phase 3 clinical trial for a new indication, which is the last phase of clinical development and could eventually contribute to marketing approval by the U.S. Food and Drug Administration ("FDA") or other global regulatory authorities. Regulatory milestones are typically achieved upon acceptance of the submission for marketing approval of a product candidate or upon approval to market the product candidate by the FDA or other global regulatory authorities. For example, a milestone payment may be due to the Company upon the FDA's acceptance of a New Drug Application ("NDA"). Commercial milestones are typically achieved when an approved pharmaceutical product reaches certain defined levels of net sales by the licensee, such as when a product first achieves global sales or annual sales of a specified amount. Patent-related milestones are typically achieved when a patent application is filed or a patent is issued with respect to certain intellectual property related to the applicable collaboration.

Revenues from clinical and development, regulatory, and patent-related milestone payments, if the milestones are deemed substantive and the milestone payments are nonrefundable, are recognized upon successful accomplishment of the milestones. The Company has concluded that the clinical and development, regulatory and patent-related milestones pursuant to its current research and development arrangements are substantive. Milestones that are not considered substantive are accounted for as license payments and recognized on a straight-line basis over the remaining period of performance. Revenues from commercial milestone payments are accounted for as royalties and are recorded as revenue upon achievement of the milestone, assuming all other revenue recognition criteria are met.

Research and Development Expenses

Research and development expenses are charged to expense as incurred. Research and development expenses consist of costs incurred in performing research and development activities, including personnel-related costs such as salaries and stock-based compensation, facilities, research-related overhead, clinical trial costs, manufacturing costs and costs of other contracted services, license fees, and other external costs. Nonrefundable advance payments for goods and services that will be used in future research and development activities are expensed when the activity has been performed or when the goods have been received.

Cash and Cash Equivalents

The Company considers highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash equivalents at June 30, 2015 consisted of money market funds, U.S. government agency securities, and corporate debt securities, including commercial paper, maintained by an investment manager totaling $17.6 million. Cash equivalents at December 31, 2014 consisted of money market funds, U.S. government agency securities and corporate debt securities, including commercial paper, maintained by an investment manager totaling $36.6 million. The carrying values of our cash equivalent securities approximate fair value due to their short term maturities.

Concentrations of Credit Risk

Financial instruments that potentially subject the Company to credit risk primarily consist of cash and cash equivalents. The Company maintains deposits in federally insured financial institutions in excess of federally insured limits.

Management believes that the Company is not exposed to significant credit risk due to the financial position of the depository institutions in which those deposits are held.

Fair Value Measurements

The Company records cash equivalents at fair value. The accounting standards for fair value measurements establish a hierarchy that distinguishes between fair value measurements based on market data (observable inputs) and those based on the Company's own assumptions (unobservable inputs). The hierarchy consists of three levels:

- Level 1—Quoted market prices in active markets for identical assets or liabilities. Assets that are valued utilizing only Level 1 inputs include money market funds.
- Level 2—Inputs other than Level 1 inputs that are either directly or indirectly observable, such as quoted market prices, interest rates and yield curves. Assets that are valued utilizing Level 2 inputs include U.S. government agency securities, and corporate bonds, including commercial paper. These investments have been initially valued at the transaction price and are subsequently valued, at the end of each reporting period, utilizing third party pricing services or other observable market data. The pricing services utilize industry standard valuation models, including both income and market based approaches and observable market inputs to determine value. These observable market inputs include reportable trades, benchmark yields, credit spreads, broker/dealer quotes, bids, offers, current spot rates, and other industry and economic events. The Company validates the prices provided by third party pricing services by reviewing their pricing methods and matrices, obtaining market values from other pricing sources, analyzing pricing data in certain instances and confirming that the relevant markets are active. After completing its validation procedures, the Company did not adjust or override any fair value measurements provided by pricing services as of June 30, 2015.
- Level 3—Unobservable inputs developed using estimates and assumptions developed by the Company, which reflect those that a market participant would use. The Company currently has no assets or liabilities measured at fair value on a recurring basis that utilize Level 3 inputs.

The following tables summarize the cash equivalents measured at fair value on a recurring basis in the accompanying condensed consolidated balance sheets as of June 30, 2015 and December 31, 2014.

	Fair Value Measurements of Cash Equivalents as of June 30, 2015			
	Level 1	Level 2	Level 3	Total
	(in thousands)			
Cash equivalents	$14,299	$3,252	$ —	$17,551

	Fair Value Measurements of Cash Equivalents as of December 31, 2014			
	Level 1	Level 2	Level 3	Total
	(in thousands)			
Cash equivalents	$28,777	$7,834	$ —	$36,611

The fair value of the Company's loans payable at June 30, 2015, computed pursuant to a discounted cash flow technique using a market interest rate, is $15.9 million and is considered a Level 3 fair value measurement. The effective interest rate, which reflects the current market rate, considers the fair value of the warrant issued in connection with the loan, loan issuance costs and the deferred financing charge.

Property and Equipment

Property and equipment are stated at cost and are depreciated using the straight-line method over the estimated useful lives of the respective assets. Maintenance and repair costs are charged to expense as incurred. During the quarter ended June 30, 2015, the Company transitioned to new office space and, as a result, revised the estimated useful life of its office furniture, resulting in an increase in depreciation expense of approximately $0.4 million during the three months and six months ended June 30, 2015, respectively.

Long-lived Assets

The Company reviews long-lived assets, including property and equipment, for impairment whenever changes in business circumstances indicate that the carrying amount of the asset may not be fully recoverable. No impairment charges were recognized during the three months ended June 30, 2015. The Company recognized $0.2 million of impairment losses for the six months ended June 30, 2015 related to leasehold improvements. The Company recognized $5.1 million and $7.6 of impairment losses for the three and six months ended June 30, 2014 related to leasehold improvements.

Basic and Diluted Loss per Common Share

Basic (loss) earnings per share is computed by dividing net (loss) income available to common stockholders by the weighted-average number of common shares outstanding during the period. Diluted (loss) earnings per share is computed by dividing net (loss) income available to common stockholders by the weighted-average number of common shares and dilutive common share equivalents then outstanding which exclude unvested restricted stock. Potential common share equivalents consist of the incremental common shares issuable upon the exercise of stock options and warrants. Since the Company had a net loss for all periods presented, the effect of all potentially dilutive securities is anti-dilutive. Accordingly, basic and diluted net loss per common share is the same.

The following table sets forth for the periods presented the potential common shares excluded from the calculation of net loss per common share because their inclusion would have been anti-dilutive:

	Outstanding at June 30,	
	2015	2014
Options outstanding	6,420	6,243
Warrants outstanding	609	—
	7,029	6,243

Stock-Based Compensation

Under the Company’s stock-based compensation programs, the Company periodically grants stock options and restricted stock to employees, directors and nonemployee consultants. The Company also issues shares under an employee stock purchase plan. The fair value of all awards is recognized in the Company’s statements of operations over the requisite service period for each award. Awards that vest as the recipient provides service are expensed on a straight-line basis over the requisite service period. Other awards, such as performance-based awards that vest upon the achievement of specified goals, are expensed using the accelerated attribution method if achievement of the specified goals is considered probable. The Company has also granted awards that vest upon the achievement of market conditions. Per ASC 718 Share-Based Payments, market conditions must be considered in determining the estimated grant-date fair value of share-based payments and the market conditions must be considered in determining the requisite service period over which compensation cost is recognized. The Company estimates the fair value of the awards with market conditions using a Monte Carlo simulation, which utilizes several assumptions including the risk-free interest rate, the volatility of the Company’s stock and the exercise behavior of award recipients. The grant-date fair value of the awards is then recognized over the requisite service period, which represents the derived service period for the awards as determined by the Monte Carlo simulation.

The fair value of equity-classified awards to employees and directors are measured at fair value on the date the awards are granted. Awards to nonemployee consultants are recorded at their fair values and are re-measured as of each balance sheet date until the recipient’s services are complete. During the three and six months ended June 30, 2015 and June 30, 2014, the Company recorded the following stock-based compensation expense:

	Three Months Ended	Six Months Ended

	June 30,		June 30,	
	2015	2014	2015	2014
	(in thousands)			
Research and development	$63	$197	$188	$515
General and administrative	348	459	581	851
Restructuring			69	
	$411	$656	$838	$1,366

Stock-based compensation expense is allocated to research and development and general and administrative expense based upon the department of the employee to whom each award was granted. Expenses recognized in connection with the modification of awards in connection with the Company's strategic restructurings are allocated to restructuring expense. No related tax benefits of the stock-based compensation expense have been recognized.

Income Taxes

The Company provides for income taxes using the asset-liability method. Under this method, deferred tax assets and liabilities are recognized based on differences between financial reporting and tax bases of assets and liabilities, and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. Uncertain tax positions are recognized if the position is more-likely-than-not to be sustained upon examination by a tax authority. Unrecognized tax benefits represent tax positions for which reserves have been established. The Company maintains a full valuation allowance on all deferred tax assets.

Segment and Geographic Information

Operating segments are defined as components of an enterprise engaging in business activities for which discrete financial information is available and regularly reviewed by the chief operating decision maker in deciding how to allocate resources and in assessing performance. The Company views its operations and manages its business in one operating segment principally in the United States. As of June 30, 2015, the Company has $1.0 million of net assets located in the United Kingdom.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States ("GAAP") requires the Company's management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Recent Accounting Pronouncements

For a discussion of recent accounting pronouncements adopted by the Company, please refer to Note 2, "Significant Accounting Policies," included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2014, filed with the SEC on March 6, 2015. The Company did not adopt any new accounting pronouncements during the six months ended June 30, 2015 that had a material effect on the Company's condensed consolidated financial statements.

In May 2014, the FASB issued a comprehensive new revenue recognition standard that will supersede nearly all existing revenue recognition guidance under US GAAP. The standard was originally scheduled to be effective for public entities for annual and interim periods beginning after December 15, 2016. In July 2015, the standard was deferred and will now be effective for annual and interim periods beginning after December 15, 2017. Early adoption is not permitted. The Company is currently evaluating what effect, if any, this standard will have on its revenue recognition policies and its financial statements, including how the standard will be adopted.

In August 2014, the FASB issued ASU No. 2014-15, Presentation of Financial Statements—Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern. This ASU is intended to define management's responsibility to evaluate whether there is substantial doubt about an organization's ability to continue as a going concern within one year of the date of issuance of the entity's financial statements and to provide related footnote disclosures. This guidance is effective for fiscal years beginning after December 15, 2016, with early application permitted. The Company is currently evaluating what effect, if any, the adoption of this guidance will have on the disclosures included in its condensed consolidated financial statements.

In April 2015, the FASB issued a standard that will require that debt issuance costs be presented in the balance sheet as a reduction of the carrying amount of the associated liability, consistent with debt discounts. The standard is effective for public entities for annual and interim periods beginning after December 15, 2015. The Company does not believe the adoption of this standard will have a material effect on its financial statements.

(4) Collaborations and License Agreements

Ophthotech Corporation

In November 2014 the Company entered into a Research and Exclusive Option Agreement (the "Option Agreement") with Ophthotech Corporation ("Ophthotech"). Under the Option Agreement, the Company granted Ophthotech an option to exclusively license the right to develop and commercialize tivozanib in all territories outside of Asia for the potential diagnosis, prevention and treatment of non-oncologic diseases or conditions of the eye in humans.

Pursuant to this Option Agreement, the Company granted to Ophthotech an exclusive, royalty free license or sublicense, as applicable, under intellectual property rights controlled by the Company solely to perform the research and development activities related to the use of tivozanib for the specific purposes outlined in the agreement during the option period (as defined below). These activities include formulation work for ocular administration, preclinical research and the conduct of a phase 1/2a, proof of concept clinical trial of a product containing tivozanib in patients with wet age-related macular degeneration (the "POC Study").

Ophthotech paid the Company $500,000 in consideration for the grant of the option. Such amount is non-refundable and not creditable against any other amounts due under the agreement. The Company is obligated to make available to Ophthotech, at no cost to Ophthotech, certain quantities of tivozanib hydrochloride solely for conducting its option period research including manufacturing additional quantities of tivozanib in the event stability data indicates that the current supply will expire prior to the end of February 2017.

During the option period, if Ophthotech elects to continue the development of tivozanib for non-oncologic diseases of the eye, the Company is entitled to receive a one-time milestone payment of $2.0 million upon acceptance of the first Investigational New Drug application for the purpose of conducting a human clinical study of tivozanib in ocular diseases (the "IND Submission Milestone Payment"). The Company is also entitled to receive a one-time milestone payment of $6.0 million (the "Clinical Efficacy Milestone Payment") on the earlier of (a) December 31, 2016 and (b) the later to occur of: (i) the achievement of a clinical milestone in the POC Study (the "Clinical Efficacy Milestone") and (ii) the earlier of (A) the date twelve (12) months after the Company and Ophthotech's agreement as to the form and substance of the KHK Amendment (as defined below) or (B) the date ninety (90) days after the entry into the KHK Amendment, subject to the Company's right to terminate the Option Agreement on 90 days' written notice (the date on which such payment is due, referred to as the "Clinical Efficacy Milestone Payment Trigger Date").

If the option is exercised, the resulting license agreement would entitle the Company to receive (i) $10.0 million assuming certain efficacy and safety endpoints in phase 2 clinical trials that would enable the commencement of a phase 3 clinical trial are met, (ii) $20.0 million upon marketing approval in the United States, (iii) $20.0 million upon marketing approval in the UK, Germany, Spain, Italy and France and (iv) up to $45.0 million in sales-based milestone payments. Ophthotech would also be required to pay tiered, double digit royalties, up to the mid-teens, on net sales of tivozanib or products containing tivozanib.

Activities under the agreement with Ophthotech were evaluated under ASC 605-25 Revenue Recognition—Multiple Element Arrangements, or ASC 605-25, to determine whether such activities represented a multiple element revenue arrangement. The agreement with Ophthotech includes the following non-contingent deliverables: the Company's obligation to grant an exclusive option to Ophthotech to enter into a license agreement to develop and commercialize products incorporating tivozanib for treatment of AMD and other diseases of the eye outside of Asia during the option period; the Company's obligation to enter into an amendment with KHK to modify the terms of the existing KHK agreement to negotiate a mutually acceptable form of license agreement; and the Company's obligation to transfer research-grade tivozanib API for Ophthotech to conduct the option period research.

The Company determined that the delivered Option Grant Deliverable, or the Company's obligation to grant an exclusive option to Ophthotech to enter into a license agreement to develop and commercialize products incorporating tivozanib for treatment of AMD and other diseases of the eye outside of Asia during the option period, did not have stand-alone value from the remaining deliverables since Ophthotech could not obtain the intended benefit of the option without the remaining deliverables. Similarly, the remaining deliverables have no stand-alone value without the Option Grant Deliverable. The Company is accounting for the deliverables as one unit of accounting.

Under the agreement, the Company received a cash payment of $0.5 million during the year ended December 31, 2014. The Company deferred the payment and is recording the deferred revenue over the Company's period of performance, which is estimated to be through December 2016. The Company recorded approximately $58,000 and $0.1 million of revenue during the three and six months ended June 30, 2015, respectively.

Biodesix

In April 2014, the Company entered into a worldwide agreement with Biodesix to develop and commercialize its hepatocyte growth factor ("HGF") inhibitory antibody ficlatuzumab, with BDX004, a proprietary companion diagnostic test developed by Biodesix and derived from VeriStrat®, a serum protein test that is commercially available to help physicians guide treatment decisions for patients with advanced non-small cell lung cancer ("NSCLC"). Under the agreement, the Company granted Biodesix perpetual, non-exclusive rights to certain intellectual property, including all clinical and biomarker data related to ficlatuzumab, to develop and commercialize BDX004. Biodesix granted the Company perpetual, non-exclusive rights to certain intellectual property, including diagnostic data related to BDX004, with respect to the development and commercialization of ficlatuzumab; each license includes the right to sublicense, subject to certain exceptions. Pursuant to a joint development plan to be agreed upon by a joint steering committee, the Company retains primary responsibility for clinical development of ficlatuzumab in a proof of concept ("POC") clinical study of ficlatuzumab for NSCLC, in which VeriStrat will be used to select clinical trial subjects, referred to as the NSCLC POC Trial. The NSCLC POC Trial will be fully funded by Biodesix up to a maximum of $15.0 million, referred to as the “Cap”. After the Cap is reached, the Company and Biodesix will share equally in the costs of the NSCLC trial, and the Company and Biodesix will each be responsible for 50% of development and regulatory costs associated with all future clinical trials agreed-upon by Biodesix and the Company, including all milestone payments and royalties payable to third parties, if any.

Pending marketing approval of ficlatuzumab and subject to a commercialization agreement to be entered into after receipt of results from the NSCLC POC Trial, each party would share equally in commercialization profits and losses, subject to the Company’s right to be the lead commercialization party.

Biodesix is solely responsible for the BDX004 development costs, as well as BDX004 sales and marketing costs. Subject to and following the approval of the BDX004 test as a companion diagnostic for ficlatuzumab, Biodesix has agreed to make the BDX004 test available and use commercially reasonable efforts to seek reimbursement in all geographies where ficlatuzumab is approved. The Company has agreed to reimburse Biodesix a pre-specified amount, under certain circumstances for BDX004 tests performed.

Prior to the first commercial sale of ficlatuzumab and after the earlier of (i) the Cap being reached or (ii) the completion of the NSCLC POC Trial, each party has the right to elect to discontinue participating in further development or commercialization efforts with respect to ficlatuzumab, which is referred to as an “Opt-Out”. If either AVEO or Biodesix elects to Opt-Out, with such party referred to as the “Opting-Out Party”, then the Opting-Out Party shall not be responsible for any future costs associated with developing and commercializing ficlatuzumab other than any ongoing clinical trials. After election of an Opt-Out, the non-opting out party shall have sole decision-making authority with respect to further development and commercialization of ficlatuzumab. Additionally, the Opting-Out Party shall be entitled to receive, if ficlatuzumab is successfully developed and commercialized, a royalty equal to 10% of net sales of ficlatuzumab throughout the world, if any, subject to offsets under certain circumstances.

If Biodesix elects to Opt-Out, it will continue to be responsible for its development and commercialization obligations with respect to BDX004. If AVEO elects to Opt-Out, it will continue to make the existing supply of ficlatuzumab available to Biodesix for the purposes of enabling Biodesix to complete the development of ficlatuzumab, and Biodesix will have the right to commercialize ficlatuzumab.

Prior to any Opt-Out, the parties shall share equally in any payments received from a third party licensee; provided, however, after any Opt-Out, the Opting-Out Party shall be entitled to receive only a reduced portion of such third party payments. The agreement will remain in effect until the expiration of all payment obligations between the parties related to development and commercialization of ficlatuzumab, unless earlier terminated.

Activities under the agreement with Biodesix were evaluated under ASC 605-25 Revenue Recognition—Multiple Element Arrangements, or ASC 605-25, to determine whether such activities represented a multiple element revenue arrangement. The agreement with Biodesix includes the following non-contingent deliverables: perpetual, non-exclusive rights to certain intellectual property including clinical and biomarker data related to ficlatuzumab for use in developing and commercializing BDX004; the Company’s obligation to deliver technology improvements and data developed during the NSCLC POC Trial to Biodesix; the Company’s obligation to participate in the joint steering committee during the NSCLC POC Trial; the Company’s obligation to perform certain development activities associated with the NSCLC POC Trial; and the Company’s obligation to supply clinical material for use in conducting the NSCLC POC Trial; and the Company’s obligation to deliver clinical specimens and data during the NSCLC POC Trial. The Company concluded that any deliverables that would be delivered after the NSCLC POC Trial is complete are contingent deliverables because these services are contingent upon the results of the NSCLC POC Trial. As these deliverables are contingent, and are not at an incremental discount, they are not evaluated as deliverables at the inception of the arrangement. These contingent deliverables will be evaluated and accounted for separately as each related contingency is resolved. As of June 30, 2015, no contingent deliverables had been provided by the Company.

The Company determined that the delivered item, or the perpetual, non-exclusive rights to certain intellectual property for use in developing and commercializing BDX004 did not have stand-alone value from the remaining deliverables since Biodesix could not obtain the intended benefit of the license without the remaining deliverables. Since the remaining deliverables will be performed over the same period of performance there is no difference in accounting for the deliverables as one unit or multiple units of accounting, and therefore, the Company is accounting for the deliverables as one unit of accounting.

The Company records the consideration earned while conducting the NSCLC POC Trial, which consists of reimbursements from Biodesix for expenses related to the trial under the Cap, as a reduction to research and development expense using the proportional performance method over the respective period of performance. As a result of the cost sharing provisions in the agreement, the Company reduced research and development expenses by approximately $1.0 million and $1.9 million during the three and six months ended June 30, 2015, respectively. The

Company reduced research and development expenses by approximately $0.2 million during the three and six months ended June 30, 2014. The amount due to the Company from Biodesix pursuant to the cost-sharing provision was $1.9 million at June 30, 2015. The Company received cash payments related to cost reimbursements of $1.8 million during the six months ended June 30, 2015.

Biogen Idec International GmbH

In March 2009, the Company entered into an exclusive option and license agreement with Biogen Idec International GmbH, a subsidiary of Biogen Idec Inc., (collectively "Biogen Idec") regarding the development and commercialization of the Company's discovery-stage ErbB3-targeted antibodies for the potential treatment and diagnosis of cancer and other diseases outside of North America. Under the agreement, the Company is responsible for developing ErbB3 antibodies through completion of the first phase 2 clinical trial designed in a manner that, if successful, will generate data sufficient to support advancement to a phase 3 clinical trial.

In March 2014, the Company and Biogen Idec amended the exclusive option and license agreement (the "Amendment"). Pursuant to the Amendment, Biogen agreed to the termination of its rights and obligations under the agreement, including Biogen's option to (i) obtain a co-exclusive (with AVEO) worldwide license to develop and manufacture ErbB3 targeted antibodies and (ii) obtain exclusive commercialization rights to ErbB3 products in countries in the world other than North America. As a result, AVEO has worldwide rights to AV-203. Pursuant to the Amendment, AVEO is obligated to use reasonable efforts to seek a collaboration partner for the purpose of funding further development and commercialization of ErbB3 targeted antibodies. AVEO is also obligated to pay Biogen a percentage of milestone payments received by AVEO from future partnerships after March 28, 2016 and single digit royalty payments on net sales related to the sale of ErbB3 products, if any, up to cumulative maximum amount of $50 million.

Under the terms of the original agreement, Biogen Idec made up-front and milestone-based cash payments totaling $20.0 million. Of the $20.0 million received, $10.0 million was associated with milestones that were considered substantive and these amounts were included in revenue when they were earned. The remaining $10.0 million was amortized as additional license revenue over the Company's period of substantial involvement.

The Company concluded that the Amendment materially modified the terms of the agreement and, as a result, required application of ASC 605-25. Based upon the terms of the Amendment, the remaining deliverables included the Company's obligation to seek a collaboration partner to fund further development of the program and the Company's obligation to continue development and commercialization of the licensed products if a collaboration partner is secured ("Development Deliverable"). The Company concluded that its obligation to use best efforts to seek a collaboration partner does not have stand-alone value from the Development Deliverable upon delivery and thus the deliverables should be treated as a single unit of accounting.

Upon modifying the arrangement, the Company had $14.7 million of deferred revenue remaining to be amortized. The Company is not entitled to receive any further consideration from Biogen Idec under the amended arrangement. The Company allocated a portion of the remaining deferred revenue to the undelivered unit of accounting based upon the Company's best estimate of the selling price, as the Company determined that neither VSOE or TPE were available. The Company determined the best estimate of selling price to be approximately $0.6 million and recognized the remaining $14.1 million as collaboration revenue in March 2014. The deferred revenue associated with the undelivered unit of accounting is being recognized on a straight-line basis over the expected period of performance, or through December 2015, based upon the Company's historical experience with marketing its product candidates to potential partners.

The best estimate of selling price was based upon a cost approach pursuant to which the Company estimated the costs expected to be incurred in executing a partnership agreement and then applied a reasonable markup. The Company estimated future cash outflows for several possible outcomes, including the execution of a partnership at different times within a reasonable range and partnerships of differing complexity. The Company estimated its cash outflows for each scenario based upon the expected costs associated with the relevant employees and the expected level of effort to be expended to seek and execute a partnership. The Company's analysis also considered the legal charges that it anticipates it will incur. Changes to the Company's assumptions within the reasonable range of possible values would not have a material impact on the amounts recorded in current or future periods.

Under the agreement, the Company recorded revenue of $0.1 million and $0.2 million during the three and six months ended June 30, 2015, respectively. The Company also recorded $0.1 million and $14.4 million of revenue during the three and six month periods ended June 30, 2014, respectively.

Astellas Pharma

In February 2011, the Company, together with its wholly-owned subsidiary AVEO Pharma Limited, entered into a Collaboration and License Agreement with Astellas (the "Astellas Agreement"), pursuant to which the Company and Astellas intended to develop and commercialize tivozanib for the treatment of a broad range of cancers. Astellas elected to terminate the Astellas Agreement effective on August 11, 2014, at which time the tivozanib rights were returned to the Company. In accordance with the Astellas Agreement, committed development costs, including the costs of completing certain tivozanib clinical development activities, are shared equally. There are no refund provisions in the Astellas Agreement.

The Company accounted for the joint development and commercialization activities in North America and Europe as a joint risk-sharing collaboration in accordance with ASC 808, Collaborative Arrangements. In addition, these activities were not deemed to be separate deliverables under the Astellas Agreement.

Payments from Astellas with respect to Astellas' share of tivozanib development and commercialization costs incurred by the Company pursuant to the joint development plan are recorded as a reduction to research and development expense and general and administrative expense in the accompanying condensed consolidated financial statements due to the joint risk-sharing nature of the activities in North America and Europe. Similarly, payments from the Company to Astellas with respect to the Company's share of tivozanib development and commercialization costs incurred by Astellas pursuant to the joint development plan are recorded as a component of research and development expense and general and administrative expense in the accompanying condensed consolidated financial statements. As a result of the cost-sharing provisions in the Astellas Agreement, the Company decreased research and development expense by $0.4 million and $1.1 million during the three months ended June 30, 2015 and 2014, respectively, and by $0.2 million and $2.3 million during the six months ended June 30, 2015 and 2014, respectively. The net amount due to the Company from Astellas pursuant to the cost-sharing provisions was $0.4 million and $1.0 million at June 30, 2015 and 2014, respectively.

Under the agreement, the Company received cash payments related to cost reimbursements of $34,000 and $1.2 million during each of the three months ended June 30, 2015 and 2014, respectively, and $0.6 million and $2.2 million during each of the six months ended June 30, 2015 and 2014, respectively.

(5) Accrued Expenses

Accrued expenses consisted of the following as of June 30, 2015 and December 31, 2014:

	June 30, 2015	December 31, 2014
	(in thousands)	
Clinical expenses	$1,255	$ 2,312
Salaries and benefits	910	1,744
Restructuring	904	—
Professional fees	378	685
Manufacturing and distribution	90	3,216
Other	1,014	1,344
	$4,551	$ 9,301

(6) Loans Payable

On May 28, 2010, the Company entered into a loan and security agreement (the “Loan Agreement”) with Hercules Technology II, L.P. and Hercules Technology III, L.P., affiliates of Hercules Technology Growth (collectively, “Hercules”), pursuant to which the Company received a loan in the aggregate principal amount of $25.0 million. The Company was required to repay the aggregate principal balance under the Loan Agreement in 30 equal monthly installments of principal starting on January 1, 2012. On March 31, 2012, the Company entered into an amendment to the Loan Agreement, pursuant to which the Company increased the principal amount under the Loan Agreement to $26.5 million. Under the amendment to the Loan Agreement, the date on which the Company was required to begin repaying the aggregate principal balance was extended to April 1, 2013, at which point the Company began repaying such balance in 30 equal monthly installments.

On September 24, 2014, the Company further amended the Loan Agreement with Hercules (the “Amended Loan Agreement”). Pursuant to the Amended Loan Agreement, the Company received a new loan in the aggregate principal amount of $10.0 million and amended the terms of the Loan Agreement with an outstanding principal balance of $11.6 million.

Pursuant to the Amended Loan Agreement, the Company is not required to pay principal on the new loan of $10.0 million for a period of time until November 1, 2015, provided, that such date may be extended if the Company achieves certain performance milestones, after which time, the Company is required to make monthly principal and interest payments with the entire loan due and payable on January 1, 2018. With respect to the Loan Agreement, the Company is not required to pay principal until January 1, 2015, at which time the Company is required to commence making 12 principal and interest payments. The Amended Loan Agreement has an end-of-term payment of approximately $0.5 million due on January 1, 2018 or on such earlier date as the new loan is prepaid. The Company accounted for the Amended Loan Agreement as a loan modification in accordance with ASC 470-50, Debt—Modifications and Extinguishments.

The Company must make interest payments on both loans each month they remain outstanding. Per annum interest is payable on the principal balance of both loans at the greater of 11.9% and an amount equal to 11.9% plus the prime rate of interest minus 4.75% as determined daily, provided however, that the per annum interest shall not exceed 15.0% (currently 11.9%). With respect to the new loan of $10.0 million, the unpaid principal balance and all accrued but unpaid interest will be due and payable on January 1, 2018, and with respect to the original loan with a principal balance of $11.6 million, the unpaid principal balance and all accrued but unpaid interest will be due and payable on January 1, 2016.

In addition to the obligations and covenants currently existing under the Loan Agreement, the Amended Loan Agreement contains a financial covenant, whereby the Company has agreed to maintain, with respect to the new loan of $10.0 million, a liquidity ratio equal to or greater than 1.25 to 1.00 or the equivalent of $12.5 million in unrestricted and unencumbered cash and cash equivalents. The financial covenant shall not apply after such time that the Company receives favorable data both with respect to its phase 2 clinical trial of ficlatuzumab and a phase 1 clinical trial of AV-380. The Company was in compliance with this and all other financial covenants at June 30, 2015 that are included in the Amended Loan Agreement.

The Loan Agreement required a deferred financing charge of $1.3 million which was paid in May 2012 related to the amendment of the Loan Agreement. The Loan Agreement also included an additional deferred financing charge of $1.2 million which was paid in June 2014, and was recorded as a loan discount and is being amortized to interest expense over the term of the loan borrowed under the Loan Agreement using the effective interest rate method. The Company had recorded a liability for the full amount of the charge since the payment of such amount was not contingent on any future event. The Company incurred approximately $0.2 million in loan issuance costs paid directly to Hercules under the Loan Agreement, which were offset against the loan proceeds and are accounted for as a loan discount.

As part of the Loan Agreement, on June 2, 2010, the Company issued warrants to the lenders to purchase up to 156,641 shares of the Company's common stock at an exercise price equal to $7.98 per share. The Company recorded the relative fair value of the warrants of approximately $0.8 million as stockholders' equity and as a discount to the related loan outstanding and is amortizing the value of the discount to interest expense over the term of the loan using the effective interest method. On July 21, 2011, Hercules exercised these warrants and they are no longer outstanding.

As part of the Amended Loan Agreement, on September 24, 2014, the Company issued warrants to the lenders to purchase up to 608,696 shares of the Company's common stock at an exercise price equal to $1.15 per share. The Company recorded the relative fair value of the warrants of approximately $0.4 million as stockholders' equity and as a discount to the related loan outstanding and is amortizing the value of the discount to interest expense over the term of the loan using the effective interest method.

As part of the Loan Agreement, Hercules also received an option, subject to the Company's written consent, not to be unreasonably withheld, to purchase, either with cash or through conversion of outstanding principal under the loan, up to $2.0 million of equity of the Company sold in any sale by the Company to third parties of equity securities resulting in at least $10.0 million in net cash proceeds to the Company, subject to certain exceptions. The Company has evaluated the embedded conversion option, and has concluded that it does not need to be bifurcated and separately accounted for. No amount will be recognized for the conversion feature until such time as the conversion feature is exercised and it can be determined whether a beneficial conversion feature exists. As of June 30, 2015, the aggregate principal balance outstanding was $16.0 million.

The Amended Loan Agreement defines events of default, including the occurrence of an event that results in a material adverse effect upon the Company's business operations, properties, assets or condition (financial or otherwise), its ability to perform its obligations under and in accordance with the terms of the Amended Loan Agreement, or upon the ability of the lenders to enforce any of their rights or remedies with respect to such obligations, or upon the collateral under the Loan Agreement, the related liens or the priority thereof. The Company has determined that the risk of subjective acceleration under the material adverse events clause is remote and therefore has classified the outstanding principal in current and long-term liabilities based on the timing of scheduled principal payments.

Future minimum payments under the loans payable outstanding as of June 30, 2015 are as follows (amounts in thousands):

Years Ending December 31:	
2015 (6 months remaining)	$7,411
2016	4,644
2017	4,644
2018	2,096
	18,795
Less amount representing interest	(2,238)
Less discount	(716)
Less deferred charges	(540)
Less current portion	(7,985)
Loans payable, net of current portion and discount	$7,316

(7) Common Stock

In February 2015, the Company entered into an at-the-market issuance sales agreement with MLV & Co. LLC ("MLV"), pursuant to which the Company could issue and sell shares of its common stock from time to time up to an aggregate amount of $17.9 million, at the Company's option, through MLV as its sales agent. Sales of common stock through MLV may be made by any method that is deemed an "at-the-market" offering as defined in Rule 415 promulgated under the Securities Act of 1933, as amended, including by means of ordinary brokers' transactions at market prices, in block transactions or as otherwise agreed by the Company and MLV. Subject to the terms and conditions of the sales agreement between the Company and MLV (the "Sales Agreement"), MLV will use commercially reasonable efforts to sell the common stock based upon the Company's instructions (including any price, time or size limits or other customary parameters or conditions the Company may impose). The Company is not obligated to make any sales of its common stock under the Sales Agreement. Any shares sold will be sold pursuant to an effective shelf registration statement on Form S-3. The Company will pay MLV a commission of up to 3% of the gross proceeds. The Sales Agreement may be terminated by the Company at any time.

On May 7, 2015, the Company filed a shelf registration statement on Form S-3 with the SEC, which covers the offering, issuance and sale by the Company of up to $100.0 million of its common stock, preferred stock, debt securities, warrants and/or units (the "2015 Shelf"). The 2015 Shelf was filed to replace the Company's existing $250.0 million shelf registration statement (the "2012 Shelf"). On May 7, 2015, the Company amended its Sales Agreement with MLV (the "Amended Sales Agreement") to provide for the offering, issuance and sale by the Company of up to $15.0 million of its common stock under the 2015 Shelf, which replaced the Company's existing $17.9 million offering that expired along with the expired 2012 Shelf. As of June 30, 2015, the Company has sold approximately 3.4 million shares pursuant to the Sales Agreement and the Amended Sales Agreement, resulting in proceeds of approximately $5.8 million, net of commissions and issuance costs.

Approximately $13.5 million remains available for sale under the amended Sales Agreement.

(8) Stock-based Compensation

Stock Plans

The Company issued stock options and restricted stock awards during the six months ended June 30, 2015. A summary of the status of the Company's stock option activity at June 30, 2015 and changes during the six months then ended is presented in the table and narrative below.

	Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding at December 31, 2014	5,817,313	$ 4.45		

Granted	3,104,834	$ 1.11		
Exercised	(163,305)	$ 1.46		
Forfeited	(2,338,733)	$ 2.13		
Outstanding at June 30, 2015	6,420,109	$ 3.75	7.48	$1,797,511
Vested or expected to vest at June 30, 2015	3,311,468	$ 5.97	5.75	$551,581
Exercisable at June 30, 2015	2,313,241	$ 7.71	4.25	$133,884

Stock options to purchase 1,303,500 shares of common stock contain market conditions which were not deemed probable of vesting at June 30, 2015.

The fair value of stock options subject only to service or performance conditions that are granted to employees is estimated on the date of grant using the Black-Scholes option-pricing model using the assumptions noted in the following table:

	Three Months Ended June 30,	
	2015	2014
Volatility factor	73.04%-73.36%	72.06%-73.98%
Expected term (in years)	5.50-6.25	5.50-6.25
Risk-free interest rates	1.85%	1.88%
Dividend yield	—	—

	Six Months Ended June 30,	
	2015	2014
Volatility factor	73.04%-7[illegible]	[illegible]-73.98%
Expected term (in years)	5.50-6.25	5.50-6.25
Risk-free interest rates		