INTERCEPT PHARMACEUTICALS INC
Form 10-Q
August 07, 2015

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2015

OR

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

For the transition period from to

Commission file number: 001-35668

INTERCEPT PHARMACEUTICALS, INC.

(Exact Name of Registrant as Specified in Its Charter)

Delaware	**22-3868459**
(State or Other Jurisdiction of Incorporation or Organization)	**(I.R.S. Employer Identification Number)**
450 West 15th Street, Suite 505 New York, NY	**10011**
(Address of Principal Executive Offices)	**(Zip Code)**

(646) 747-1000

(Registrant's Telephone Number, Including Area Code)

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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.

Large accelerated filer	x	Accelerated filer	¨
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

As of July 15, 2015, there were 24,202,165 shares of common stock, $0.001 par value per share, outstanding.

Intercept Pharmaceuticals, Inc.

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FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements that involve substantial risks and uncertainties. All statements other than statements of historical facts contained in this Quarterly Report on Form 10-Q, including statements regarding our strategy, future operations, future financial position, future revenue, projected costs, prospects, plans, objectives of management and expected market growth, are forward-looking statements. These statements involve known and unknown risks, uncertainties and other important factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements.

The words “anticipate,” “believe,” “estimate,” “expect,” “intend,” “may,” “plan,” “predict,” “project,” “potential,” “will,” “wou “should,” “continue,” and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words. These forward-looking statements include, among other things, statements about:

- the initiation, cost, timing, progress and results of our development activities, preclinical studies and clinical trials;
- the timing of and our ability to obtain and maintain regulatory approval of obeticholic acid, or OCA, and any other product candidates we may develop, particularly the possibility that regulatory authorities may require clinical outcomes data (and not just results based on achievement of a surrogate endpoint) as a condition to any marketing approval for OCA, and any related restrictions, limitations and/or warnings in the label of any approved product candidates;
- our plans to research, develop and commercialize our product candidates;
- our ability to obtain and maintain intellectual property protection for our product candidates;
- our ability to successfully commercialize our product candidates;
- the size and growth of the markets for our product candidates and our ability to serve those markets;
- the rate and degree of market acceptance of any future products;
- the success of competing drugs that are or become available;
- our collaborators’ election to pursue research, development and commercialization activities;
- our ability to attract collaborators with development, regulatory and commercialization expertise;
- regulatory developments in the United States and other countries;
- the performance of our third-party suppliers and manufacturers;
- our need for and ability to obtain additional financing;
- our estimates regarding expenses, future revenues and capital requirements and the accuracy thereof;
- our use of our cash and short term investments; and
- our ability to attract and retain key scientific or management personnel.

These forward-looking statements are only predictions and we may not actually achieve the plans, intentions or expectations disclosed in our forward-looking statements, so you should not place undue reliance on our forward-looking statements. Actual results or events could differ materially from the plans, intentions and expectations disclosed in the forward-looking statements we make. We have based these forward-looking statements largely on our current expectations and projections about future events and trends that we believe may affect our

business, financial condition and operating results. We have included important factors in the cautionary statements included in our Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 2, 2015, particularly in Item 1.A. Risk Factors. Those risk factors, together with any updates to those risk factors contained in our subsequent periodic and current reports filed with the Securities and Exchange Commission, could cause actual future results or events to differ materially from the forward-looking statements that we make. Our forward-looking statements do not reflect the potential impact of any future acquisitions, mergers, dispositions, joint ventures or investments we may make.

You should read this Quarterly Report on Form 10-Q and the documents that we have filed as exhibits to the Quarterly Report on Form 10-Q with the understanding that our actual future results may be materially different from what we expect. We do not assume any obligation to update any forward-looking statements whether as a result of new information, future events or otherwise, except as required by applicable law.

NON-GAAP FINANCIAL MEASURES

This Quarterly Report on Form 10-Q presents projected adjusted operating expense, which is a financial measure not calculated in accordance with U.S. generally accepted accounting principles, or GAAP, and should be considered in addition to, but not as a substitute for, operating expense that we prepare and announce in accordance with GAAP. We exclude certain items from adjusted operating expense, such as stock-based compensation and other non-cash items, that management does not believe affect our basic operations and that do not meet the GAAP definition of unusual or non-recurring items. We anticipate that stock-based compensation expense will represent the most significant non-cash item that is excluded in adjusted operating expenses as compared to operating expenses under GAAP. A reconciliation of projected non-GAAP adjusted operating expense to operating expense calculated in accordance with GAAP is not available on a forward-looking basis without unreasonable effort due to an inability to make accurate projections and estimates related to certain information needed to calculate, for example, future stock-based compensation expense. Management also uses adjusted operating expense to establish budgets and operational goals and to manage our company’s business. Other companies may define this measure in different ways. We believe this presentation provides investors and management with supplemental information relating to operating performance and trends that facilitate comparisons between periods and with respect to projected information.

PART I

Item 1. FINANCIAL STATEMENTS

INTERCEPT PHARMACEUTICALS, INC.

Condensed Consolidated Balance Sheets

	December 31, 2014 (Audited)	June 30, 2015 (Unaudited)
	(in thousands)	
Assets		
Current assets:		
Cash and cash equivalents	$20,023	$88,257
Investment securities, available-for-sale	219,701	644,062
Prepaid expenses and other current assets	6,104	8,637
Total current assets	245,828	740,956
Fixed assets, net	5,852	9,383
Security deposits	2,469	3,517
Total assets	$254,149	$753,856
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable, accrued expenses and other liabilities	$13,459	$22,006
Short-term portion of deferred revenue	1,782	1,782
Total current liabilities	15,241	23,788
Long-term liabilities:		
Long-term portion of deferred revenue	8,017	7,126
Total liabilities	23,258	30,914
Stockholders' equity:		
Common stock. 35,000,000 shares authorized; 21,415,243 and 24,149,241 shares issued and outstanding as of December 31, 2014 and June 30, 2015, respectively; par value $0.001 per share	21	24
Additional paid-in capital	700,355	1,280,187
Accumulated other comprehensive loss, net	(284)	(788)
Accumulated deficit	(469,202)	(556,481)
Total stockholders' equity	230,890	722,942
Total liabilities and stockholders' equity	$254,149	$753,856

See accompanying notes to the condensed consolidated financial statements.

INTERCEPT PHARMACEUTICALS, INC.

Condensed Consolidated Statements of Operations

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2015	2014	2015
	(in thousands)			
Licensing revenue	$445	$445	$851	$1,891
Costs and expenses:				
Research and development	14,919	28,295	29,212	56,260
General and administrative	7,955	20,974	13,606	34,112
Total costs and expenses	22,874	49,269	42,818	90,372
Other income (expense):				
Revaluation of warrants	55,795	-	(170,832)	-
Other income, net	104	930	240	1,201
	55,899	930	(170,592)	1,201
Net income (loss)	$33,470	$(47,894)	$(212,559)	$(87,280)
Net income (loss) per share:				
Basic	$1.60	$(1.99)	$(10.50)	$(3.78)
Diluted	$1.51	$(1.99)	$(10.50)	$(3.78)
Weighted average shares outstanding:				
Basic	20,965,094	24,014,092	20,238,955	23,100,222
Diluted	22,204,934	24,014,092	20,238,955	23,100,222

See accompanying notes to the condensed consolidated financial statements.

INTERCEPT PHARMACEUTICALS, INC.

Condensed Consolidated Statements of Comprehensive Income (Loss)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2015	2014	2015
	(in thousands)			
Net income (loss)	$33,470	$(47,894)	$(212,559)	$(87,280)
Other comprehensive loss:				
Unrealized losses, net, on securities:				
Unrealized holding losses, net, arising during the period	(79)	(895)	(97)	(682)
Reclassification for recognized gains on marketable investment securities during the period	3	-	4	2
Net unrealized losses, net, on marketable investment securities	$(76)	$(895)	$(93)	$(680)
Foreign currency translation adjustments	-	338	-	176
	$(76)	$(557)	$(93)	$(504)
Comprehensive income (loss)	$33,393	$(48,451)	$(212,652)	$(87,784)

INTERCEPT PHARMACEUTICALS, INC.

Condensed Consolidated Statements of Cash Flows
(Unaudited)

	Six Months Ended June 30,	
	2014	2015
	(in thousands)	
Cash flows from operating activities:		
Net loss	$(212,559)	$(87,280)
Adjustments to reconcile net loss to net cash used in operating activities:		
Revaluation of warrants	170,832	-
Share-based compensation	11,230	16,369
Depreciation	130	646
Amortization of investment premium	1,370	2,595
Changes in:		
Prepaid expenses, other current assets and security deposits	(5,760)	(3,581)
Accounts payable, accrued expenses and other current liabilities	2,879	8,547
Deferred revenue	149	(891)
Net cash used in operating activities	(31,729)	(63,595)
Cash flows from investing activities:		
Purchases of investment securities	(161,352)	(524,054)
Sales of investment securities	37,288	96,418
Purchases of equipment, leasehold improvements, and furniture and fixtures	(622)	(4,177)
Net cash used in investing activities	(124,686)	(431,813)
Cash flows from financing activities:		
Proceeds from issuance of stock offerings, net of issuance costs	183,546	558,930
Proceeds from exercise of options	4,466	4,536
Net cash provided by financing activities	188,012	563,466
Effect of exchange rate changes	-	176
Net increase in cash and cash equivalents	31,598	68,234
Cash and cash equivalents – beginning of period	13,363	20,023
Cash and cash equivalents – end of period	$44,961	$88,257

See accompanying notes to the condensed consolidated financial statements.

1. Nature of Business and Basis of Presentation

Intercept Pharmaceuticals, Inc. ("Intercept" or the "Company"), is a biopharmaceutical company focused on the development and commercialization of novel therapeutics to treat chronic liver diseases with high unmet medical need. The Company's product candidates have the potential to treat orphan and more prevalent liver diseases for which there currently are limited therapeutic solutions.

The Company has its administrative headquarters in New York, New York and offices in San Diego, California and London, United Kingdom. The Company has a wholly-owned subsidiary in Italy which acts as the Company's legal representative for its clinical trials in the European Union to satisfy European Union regulatory requirements and a wholly-owned subsidiary in the United Kingdom. Intercept was incorporated in Delaware in September 2002.

Basis of Presentation

All financial information presented includes the accounts of the Company's wholly-owned subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation. The unaudited financial statements of Intercept Pharmaceuticals, Inc. included herein reflect all adjustments, consisting only of normal recurring adjustments, which in the opinion of management are necessary to fairly state the Company's financial position, results of operations and cash flows for the periods presented. Interim results may not be indicative of the results that may be expected for the full year. Certain information and footnote disclosures normally included in the audited financial statements prepared in accordance with generally accepted accounting principles in the United States ("U.S. GAAP") have been condensed or omitted pursuant to the rules and regulations of the U.S. Securities and Exchange Commission ("SEC"). These financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto which are included in the Company's Annual Report on Form 10-K for the year ended December 31, 2014 for a broader discussion of the Company's business and opportunities and risks inherent in such business.

Use of Estimates

The preparation of these financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, expenses, revenues and related disclosures. On an ongoing basis, management evaluates estimates, clinical trial accruals and share-based compensation expense. The Company bases its estimates on historical experience and other market-specific or other relevant assumptions that it believes to be reasonable under circumstances. Actual results may differ from those estimates or assumptions.

Revision of Prior Period Financial Statements

During the second quarter of 2014, management identified a misstatement representing an overstatement of non-cash share-based compensation expense in the first quarter of 2014 of approximately $11.6 million related to the valuation of non-employee options. Management determined that the effect of the share-based compensation expense overstatement was not material to the financial statements for the prior interim period. In order to correct the error, in accordance with the SEC's Staff Accounting Bulletin No. 108 ("SAB 108"), the Company recorded the following immaterial corrections to the financial statements for the six months ended June 30, 2014: (a) a decrease in additional paid-in-capital of $11.6 million and a decrease in accumulated deficit of $11.6 million, which in total had no impact on shareholders' deficit; and (b) a decrease of $11.6 million in research and development expenses and a corresponding decrease in net loss.

2. Summary of Significant Accounting Policies

The Company's significant accounting policies are described in Note 3 to the Consolidated Financial Statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2014.

3. Significant Agreements

Sumitomo Dainippon Pharma Co, Ltd. (Sumitomo Dainippon)

In March 2011, the Company entered into an exclusive license agreement with Sumitomo Dainippon to research, develop and commercialize obeticholic acid (OCA) as a therapeutic for the treatment of primary biliary cirrhosis (PBC) and nonalcoholic steatohepatitis (NASH) in Japan and China (excluding Taiwan). Under the terms of the license agreement, the Company received an up-front payment from Sumitomo Dainippon of $15.0 million and may be eligible to receive additional milestone payments of up to an aggregate of approximately $30.0 million in development milestones based on the initiation or completion of clinical trials, $70.0 million in regulatory approval milestones and $200.0 million in sales milestones. The regulatory approval milestones include $15.0 million for receiving marketing approval for OCA for NASH in Japan, $10.0 million for receiving marketing approval for OCA for NASH in China, and up to $5.0 million for receiving marketing approval for OCA for PBC in the United States. As of June 30, 2015, the Company had achieved $1.0 million of the development milestones under its collaboration agreement with Sumitomo Dainippon. The sales milestones are based on aggregate sales amounts of OCA in the Sumitomo Dainippon territory and include $5.0 million for achieving net sales of $50.0 million, $10.0 million for achieving net sales of $100.0 million, $20.0 million for achieving net sales of $200.0 million, $40.0 million for achieving net sales of $400.0 million and $120.0 million for achieving net sales of $1.2 billion. The Company has determined that each potential future development, regulatory and sales milestone is substantive. In May 2014, Sumitomo Dainippon exercised its option under the license agreement to add Korea as part of its licensed territories and paid the Company a $1.0 million up-front fee. Sumitomo Dainippon has the option to add several other Asian countries to its territory to pursue OCA for additional indications. Sumitomo Dainippon will be responsible for the costs of developing and commercializing OCA in its territories. Sumitomo Dainippon is also required to make royalty payments ranging from the tens to the twenties in percent based on net sales of OCA products in the Sumitomo

Dainippon territory.

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The Company evaluated the license agreement with Sumitomo Dainippon and determined that it is a revenue arrangement with multiple deliverables, or performance obligations. The Company's substantive performance obligations under this license include an exclusive license to its technology, technical and scientific support to the development plan and participation on a joint steering committee. The Company determined that these performance obligations represent a single unit of accounting, since, initially, the license does not have stand-alone value to Sumitomo Dainippon without the Company's technical expertise and steering committee participation during the development of OCA. This development period is currently estimated as continuing through June 2020 and, as such, the up-front payment and payments made in respect of the Korea option are being recognized ratably over this period. During the three months ended June 30, 2014 and 2015, the Company recorded revenue of approximately $445,000 and $445,000, respectively, and during the six months ended June 30, 2014 and 2015, the Company recorded revenue of approximately $851,000 and $1.9 million, respectively, in "Licensing Revenue" in its Condensed Consolidated Statement of Operations for the Company's efforts under the agreement. All of the revenue recognized in the six months ended June 30, 2014 related to the amortization of the up-front payments under the collaboration agreement. For the six months ended June 30, 2015, $891,000 resulted from the amortization of the up-front payments under the collaboration agreement and $1.0 million resulted from the milestone achieved in the period.

United Kingdom Lease

On February 19, 2015, the Company entered into an underlease with Merck Sharp & Dohme Limited for the Company's new office in the King's Cross area of London, United Kingdom. The lease will provide the Company with approximately 6,000 rentable square feet in London for office space. The lease term is anticipated to end in June 2019.

The annual rent is £470,608 payable quarterly. The Company is also required to pay value added tax (VAT) on the rent. The Company will be responsible for a portion of the insurance, certain service charges and taxes for the building based on the floor area rented by the Company. As security for the underlease, the Company has provided the landlord with a rent deposit in the amount of £705,912 (or approximately $1.1 million), plus applicable VAT. The amount of the deposit may be reduced to £470,608 within 30 days after April 30, 2016 if there are no outstanding payments due and there are no material breaches of the underlease that have not been unremedied in respect of which a drawdown notice has been served and has expired.

4. Investments

The following table summarizes the Company's cash, cash equivalents and investments as of December 31, 2014 and June 30, 2015:

	As of December 31, 2014			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(In thousands)			
Cash and cash equivalents:				
Cash and money market funds	$20,023	$ -	$ -	$20,023
Investment securities:				
Commercial paper	7,995	-	(1)	7,994
Corporate debt securities	203,988	19	(282)	203,725
U.S. government and agency securities	7,998	-	(16)	7,982
Total investments	219,981	19	(299)	219,701
Total cash, cash equivalents and investments	$240,004	$ 19	$ (299)	$239,724

	As of June 30, 2015			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(In thousands)			
Cash and cash equivalents:				
Cash and money market funds	$88,257	$ -	$ -	$88,257
Investment securities:				
Commercial paper	12,491	-	(2)	12,489
Corporate debt securities	548,101	31	(956)	547,176
U.S. government and agency securities	84,426	20	(49)	84,397
Total investments	645,018	51	(1,007)	644,062
Total cash, cash equivalents and investments	$733,275	$ 51	$ (1,007)	$732,319

The following table shows the gross unrealized losses and fair value of the Company's available-for-sale investments aggregated by investment category and length of time that individual securities have been in the position:

	As of December 31, 2014					
	Less than 12 Months		12 Months or Greater		Total	
	(In thousands)					
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Corporate debt securities	$86,221	$ (63)	$81,561	$ (219)	$167,782	$ (282)
Commercial paper	4,994	(1)	-	-	4,994	(1)
U.S. government and agency securities	-	-	4,481	(16)	4,481	(16)
Total	$91,215	$ (64)	$86,042	$ (235)	$177,257	$ (299)

	As of June 30, 2015					
	Less than 12 Months		12 Months or Greater		Total	
	(In thousands)					
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Corporate debt securities	$157,538	$ (160)	$321,075	$ (796)	$478,612	$ (956)
U.S. government and agency securities	14,907	(4)	42,464	(45)	57,371	(49)
Commercial paper	10,490	(2)	-	-	10,490	(2)
Total	$182,935	$ (166)	$363,539	$ (840)	$546,473	$ (1,007)

5. Income Taxes

The Company utilizes the asset and liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are determined based on the difference between the financial statement carrying amounts and the tax bases of assets and liabilities using enacted tax rates in effect for years in which the temporary differences are expected to reverse. The Company establishes a valuation allowance when it believes it is more likely than not that deferred tax assets will not be realized.

At December 31, 2014 and June 30, 2015, the Company had available net operating loss carryforwards to reduce future taxable income of approximately $208.9 million and $279.9 million, respectively, for tax reporting purposes. These carryforwards expire between 2024 and 2035. The ability of the Company to utilize its net operating losses in future years is subject to limitation in accordance with provisions of Section 382 of the Internal Revenue Code due to previous ownership changes; however, these changes have not resulted in material limitations to the Company's ability to utilize the net operating losses. The Company's deferred tax asset of approximately $104.7 million and $141.0 million at December 31, 2014 and June 30, 2015, respectively, resulted primarily from the tax effects of net operating losses, share-based compensation and deferred revenue. The Company does not have any deferred tax liabilities. Since

the Company has not yet achieved sustained profitable operations, management believes its deferred tax assets do not satisfy the more-likely-than-not realization criteria and has provided an allowance for the full amount of the deferred tax asset. As a result, the Company has not recorded any income tax benefit since its inception.

6. Warrants to Purchase Common Stock

In conjunction with various financing transactions prior to its initial public offering, the Company issued warrants to purchase the Company's common stock. Certain of the warrants included a so-called "down round" provision that provides for a reduction in the warrant exercise price if there are subsequent issuances of additional shares of common stock for consideration per share less than the per share warrant exercise prices and the remaining warrants contain a provision that require the underlying shares to be registered upon an initial public offering (IPO). These warrants were deemed to be derivative instruments and as such, were recorded as a liability and were marked-to-market at each reporting period. The Company estimated the fair values of the warrants at each reporting period using a Black-Scholes option-pricing model. Management concluded, under the Company's facts and circumstances, that the estimated fair values of the warrants using the Black-Scholes option-pricing model approximates, in all material respects, estimated values determined using a binomial valuation model. The estimates in the Black-Scholes option-pricing model and the binomial valuation model were based, in part, on subjective assumptions, including but not limited to stock price volatility, the expected life of the warrants, the risk free interest rate and the fair value of the common stock underlying the warrants. Changes in the fair value of the common stock warrant liability from the prior period were recorded as a component of other income and expense.

On April 10, 2014, all the Company's remaining warrants to purchase a total of 865,381 shares of its common stock were exercised on a cashless basis into 834,758 shares of the Company's common stock and as such no further revaluations are required.

7. Fair Value Measurements

The carrying amounts of the Company's receivables and payables approximate their fair value due to their short maturities.

Accounting principles provide guidance for using fair value to measure assets and liabilities. The guidance includes a three level hierarchy of valuation techniques used to measure fair value, defined as follows:

- Unadjusted Quoted Prices — The fair value of an asset or liability is based on unadjusted quoted prices in active markets for identical assets or liabilities (Level 1).

- Pricing Models with Significant Observable Inputs — The fair value of an asset or liability is based on information derived from either an active market quoted price, which may require further adjustment based on the attributes of the financial asset or liability being measured, or an inactive market transaction (Level 2).

- Pricing Models with Significant Unobservable Inputs — The fair value of an asset or liability is primarily based on internally derived assumptions surrounding the timing and amount of expected cash flows for the financial instrument. Therefore, these assumptions are unobservable in either an active or inactive market (Level 3).

The Company considers an active market as one in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis. Conversely, the Company views an inactive market as one in which there are few transactions for the asset or liability, the prices are not current, or price quotations vary substantially either over time or among market makers. When appropriate, non-performance risk, or that of a counterparty, is considered in determining the fair values of liabilities and assets, respectively.

The Company’s cash deposits and money market funds are classified within Level 1 of the fair value hierarchy because they are valued using bank balances or quoted market prices. Investments are classified as Level 2 instruments based on market pricing or other observable inputs. None of the Company’s investments are classified within Level 3 of the fair value hierarchy.

Financial assets and liabilities, carried at fair value are classified in the tables below in one of the three categories described above:

	Total	Fair Value Measurements Using Quoted Prices in Active Markets for Identical Assets or Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	(In thousands)			
December 31, 2014				
Assets:				
Money market funds	$21,284	$21,284	$ -	$ -
Available for sale securities:				-
Commercial paper	7,994	-	7,994	$ -
Corporate debt securities	203,725	-	203,725	-
U.S. government and agency securities	7,982	-	7,982	-
Total financial assets:	$240,985	$21,284	$ 219,701	$ -
June 30, 2015				
Assets:				
Money market funds	$51,013	$51,013	$ -	$ -
Available for sale securities:				
Commercial paper	12,489	-	12,489	-
Corporate debt securities	547,176	-	547,176	-
U.S. government and agency securities	84,397	-	84,397	-
Total financial assets	$695,076	$51,013	$ 644,063	$ -

The estimated fair value of marketable debt securities (commercial paper, corporate debt securities and U.S. government and agency securities), by contractual maturity, are as follows:

	Fair Value as of	
	December 31, 2014	June 30, 2015

	(In thousands)	
Due in one year or less	$130,159	$219,474
Due after 1 year through 2 years	89,542	424,588
Total investments in debt securities	$219,701	$644,062

Actual maturities may differ from contractual maturities because issuers may have the right to call or prepay obligations without call or prepayment penalties.

Common Stock

As of December 31, 2014 and June 30, 2015, the Company had 35,000,000 authorized shares of common stock, $0.001 par value per share.

In October 2012, the Company completed the IPO of its common stock pursuant to a registration statement on Form S-1. In the IPO, the Company sold an aggregate of 5,750,000 shares of common stock under the registration statement at a public offering price of $15.00 per share. Net proceeds were approximately $78.7 million, after deducting underwriting discounts and commissions and offering expenses payable by the Company. Upon the closing of the IPO, all outstanding shares of the Company's preferred stock were converted into 7,403,817 shares of common stock.

In June 2013, the Company completed a public offering of 1,989,500 shares of its common stock pursuant to a registration statement on Form S-1. Net proceeds were approximately $61.2 million, after deducting underwriting discounts and commissions and offering expenses paid by the Company.

In April 2014, the Company completed a public offering of 1,000,000 shares of its common stock, of which 600,000 shares were sold by the Company and 400,000 shares were sold by certain selling stockholders pursuant to a registration statement on Form S-3. After underwriting discounts and commissions and offering expenses, the Company received net proceeds from the offering of approximately $183.5 million. The Company did not receive any proceeds from the sale of shares of common stock by the selling stockholders.

In February 2015, the Company completed a public offering of 1,150,000 shares of its common stock pursuant to a registration statement on Form S-3. After underwriting discounts and commissions and offering expenses, the Company received net proceeds of approximately $191.6 million.

In April 2015, the Company completed a public offering of 1,330,865 shares of its common stock pursuant to a registration statement on Form S-3. After underwriting discounts and commissions and offering expenses, the Company received net proceeds of approximately $367.1 million.

8. Stock-Based Compensation

The 2012 Equity Incentive Plan (2012 Plan) became effective upon the pricing of the IPO in October 2012. At the same time, the 2003 Stock Incentive Plan (2003 Plan) was terminated and 555,843 shares available under the 2003

Plan were added to the 2012 Plan.

The estimated fair value of the options that have been granted under the 2003 and 2012 Plans is determined utilizing the Black-Scholes option-pricing model at the date of grant. The fair value of restricted stock units (RSUs) and restricted stock awards (RSAs) that have been granted under the 2012 Plan is determined utilizing the closing stock price on the date of grant.

The following table summarizes stock option activity during the six months ended June 30, 2015:

	Number of Shares	Weighted Average Exercise Price
Outstanding, December 31, 2014	1,436,055	$ 75.81
Granted	43,056	$ 230.02
Exercised	(194,938)	$ 23.10
Forfeited	(51,857)	$ 105.38
Outstanding, June 30, 2015	1,232,316	$ 88.30
Exercisable, June 30, 2015	652,555	$ 37.62

The following table summarizes the aggregate RSU and RSA activity during the six months ended June 30, 2015:

	Number of Shares	Weighted Average Fair Value	Aggregate Intrinsic Value (in thousands)
Outstanding, December 31, 2014	119,348	$ 126.48	$ 18,618
Granted	40,392	$ 237.71	$ 9,750
Exercised	(36,136)	$ 118.73	$ 8,723
Forfeited	(4,238)	$ 256.92	$ 1,023
Outstanding, June 30, 2015	119,366	$ 161.84	$ 28,812

As of June 30, 2015, there was $17.7 million of unrecognized compensation expense related to unvested RSUs and RSAs, which is expected to be recognized over a weighted average period of 3.19 years. The weighted average remaining contract life of the non-vested shares as of June 30, 2015 is 3.19 years.

The following table summarizes additional information about unvested RSUs and RSAs outstanding:

	Number of Shares	Intrinsic Value (in thousands)
Employees and directors	111,825	$ 26,992
Consultants	7,541	1,820
Outstanding at June 30, 2015	119,366	$ 28,812

9. Net Loss Per Share

The following table presents the historical computation of basic and diluted net loss per share:

Three Months Six Months