Atara Biotherapeutics, Inc.
Form 10-Q
November 04, 2016

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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2016

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 001-36548

ATARA BIOTHERAPEUTICS, INC.

(Exact name of Registrant as specified in its Charter)

Delaware	46-0920988
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
	94080

611 Gateway Blvd., Suite 900

South San Francisco, CA
(Address of principal executive offices) (Zip Code)
(Registrant's telephone number, including area code: (650) 278-8930

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate 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 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 definition 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 Non-accelerated filer Smaller reporting company
(Do not check if a 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

The number of outstanding shares of the Registrant's Common Stock as of October 31, 2016 was 28,860,635 shares.

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Atara Biotherapeutics, Inc.

Condensed Consolidated Balance Sheets

(Unaudited)

(In thousands, except share and per share amounts)

	September 30, 2016	December 31, 2015
Assets		
Current assets:		
Cash and cash equivalents	$46,013	$23,746
Short-term investments	232,134	296,736
Restricted cash	194	194
Prepaid expenses and other current assets	3,889	3,921
Total current assets	282,230	324,597
Property and equipment, net	2,085	270
Other assets	102	108
Total assets	$284,417	$324,975
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	$4,463	$1,445
Accrued compensation	3,156	2,624
Accrued research and development expenses	5,109	5,112
Other accrued liabilities	960	528
Total current liabilities	13,688	9,709
Long-term liabilities	527	166
Total liabilities	14,215	9,875
Commitments and contingencies (Note 6)		
Stockholders' equity:		
Common stock—$0.0001 par value, 500,000,000 shares authorized as of September 30, 2016 and December 31, 2015; 28,842,125 and 28,458,807 shares issued and outstanding as of September 30, 2016 and December 31, 2015, respectively	3	3
Additional paid-in capital	429,088	413,725
Accumulated other comprehensive income (loss)	35	(518)
Accumulated deficit	(158,924)	(98,110)
Total stockholders' equity	270,202	315,100
Total liabilities and stockholders' equity	$284,417	$324,975

See accompanying notes.

Atara Biotherapeutics, Inc.

Condensed Consolidated Statements of Operations and Comprehensive Loss

(Unaudited)

(In thousands, except per share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Operating expenses:				
Research and development	$ 18,802	$ 8,113	$ 43,040	$ 25,387
General and administrative	7,140	4,146	19,448	11,291
Total operating expenses	25,942	12,259	62,488	36,678
Loss from operations	(25,942)	(12,259)	(62,488)	(36,678)
Interest and other income, net	576	380	1,684	696
Loss before provision (benefit) for income taxes	(25,366)	(11,879)	(60,804)	(35,982)
Provision (benefit) for income taxes	7	(11)	10	(9)
Net loss	$ (25,373)	$ (11,868)	$ (60,814)	$ (35,973)
Other comprehensive gain (loss):				
Unrealized gain (loss) on available-for-sale securities	(158)	117	553	151
Comprehensive loss	$ (25,531)	$ (11,751)	$ (60,261)	$ (35,822)
Net loss per common share:				
Basic and diluted net loss per common share	$ (0.88)	$ (0.43)	$ (2.12)	$ (1.46)
Weighted-average common shares outstanding used to calculate basic and diluted net loss per common share	28,801	27,675	28,670	24,628

See accompanying notes.

Atara Biotherapeutics, Inc.

Condensed Consolidated Statements of Cash Flows

(Unaudited)

(In thousands)

	Nine months ended September 30,	
	2016	2015
Operating activities		
Net loss	$(60,814)	$(35,973)
Adjustments to reconcile net loss to net cash used in operating activities:		
Stock-based compensation expense	15,128	7,287
Amortization of investment premiums and discounts	2,811	1,714
Depreciation expense	210	21
Changes in operating assets and liabilities:		
Prepaid expenses and other current assets	(602)	(2,514)
Other assets	6	(50)
Accounts payable	3,018	1,413
Accrued compensation	532	337
Accrued research and development expenses	(3)	1,713
Other accrued liabilities	433	263
Long-term liabilities	420	25
Net cash used in operating activities	(38,861)	(25,764)
Investing activities		
Purchases of short-term investments	(252,279)	(285,390)
Sales of short-term investments	187,508	34,349
Maturities of short-term investments	127,749	50,352
Purchases of property and equipment	(2,025)	(19)
Net cash provided by (used in) investing activities	60,953	(200,708)
Financing activities		
Proceeds from sale of common stock, net of offering costs	—	263,434
Taxes paid related to net share settlement of restricted stock units	(75)	(4,588)
Proceeds from exercise of stock options	250	195
Net cash provided by financing activities	175	259,041
Increase in cash and cash equivalents	22,267	32,569
Cash and cash equivalents at beginning of period	23,746	21,897
Cash and cash equivalents at end of period	$46,013	$54,466
Non-cash investing and financing activities		
Issuance of common stock upon vesting of stock awards	$60	$60
Change in long-term liabilities related to non-vested stock awards	$(60)	$(60)
Property and equipment purchases included in liabilities	$129	$—
Supplemental cash flow disclosure		
Cash paid for taxes	$10	$2

See accompanying notes.

Atara Biotherapeutics, Inc.

Notes to Condensed Consolidated Financial Statements

(Unaudited)

1. Description of Business

Atara Biotherapeutics, Inc. ("Atara", "we", "our" or "the Company") was incorporated in August 2012 in Delaware. Atara is a clinical-stage biopharmaceutical company focused on developing meaningful therapies for patients with severe and life-threatening diseases that have been underserved by scientific innovation. We have two groups of product candidates: (a) allogeneic, or third-party derived, antigen-specific T-cells, and (b) molecularly targeted biologics.

Our T-cell programs were acquired through licensing arrangements with Memorial Sloan Kettering Cancer Center ("MSK") and Queensland Institute of Medical Research ("QIMR Berghofer"). Our molecularly targeted biologics programs were acquired through licensing arrangements with Amgen Inc. ("Amgen"). See Note 5 for further information.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (U.S. GAAP) and following the requirements of the Securities and Exchange Commission (SEC) for interim reporting. As permitted under those rules, certain footnotes or other financial information that are normally required by U.S. GAAP can be condensed or omitted. These condensed consolidated financial statements have been prepared on the same basis as the Company's annual consolidated financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2015, and, in the opinion of management, reflect all adjustments, consisting only of normal recurring adjustments, which are necessary for a fair statement of the Company's consolidated financial information. The results of operations for the nine month period ended September 30, 2016 are not necessarily indicative of the results to be expected for the full year or any other future period. The condensed balance sheet as of December 31, 2015 has been derived from audited consolidated financial statements at that date but does not include all of the information required by U.S. GAAP for complete consolidated financial statements.

Significant Risks and Uncertainties

We have incurred significant operating losses since inception and have relied on public and private equity financings to fund our operations. As of September 30, 2016, we had an accumulated deficit of $158.9 million. As we continue to incur losses, our transition to profitability will depend on the successful development, approval and commercialization of product candidates and on the achievement of sufficient revenues to support our cost structure. We may never achieve profitability, and unless and until we do, we will need to continue to raise additional capital. Management expects that our cash, cash equivalents and short-term investments as of September 30, 2016 will be sufficient to fund our planned operations through 2018.

Concentration of Credit Risk and Other Uncertainties

We place cash and cash equivalents in the custody of financial institutions that management believes are of high credit quality, the amount of which at times, may be in excess of the amount insured by the Federal Deposit Insurance Corporation. We also have short-term investments in money market funds, U.S. Treasury, government agency and corporate debt obligations, commercial paper and asset-backed securities, which can be subject to certain credit risk. However, we mitigate the risks by investing in high-grade instruments, limiting our exposure to any one issuer, and monitoring the ongoing creditworthiness of the financial institutions and issuers.

We are subject to certain risks and uncertainties and believe that changes in any of the following areas could have a material adverse effect on future financial position or results of operations: our ability to obtain future financing; regulatory approval and market acceptance of, and reimbursement for, our product candidates, if approved; performance of third-party clinical research organizations and manufacturers upon which we rely; development of sales channels; protection of our intellectual property; litigation or claims against us based on intellectual property, patent, product, regulatory or other factors; and our ability to attract and retain employees necessary to support our growth.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates, assumptions, and judgments that affect the amounts reported in the financial statements and accompanying notes. Significant estimates relied upon in preparing these financial statements include estimates related to clinical trial and other accruals, stock-based compensation expense, fair values of investments and income taxes. Actual results could differ materially from those estimates.

Recent Accounting Pronouncements

In January 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-01, Recognition and Measurement of Financial Assets and Financial Liabilities (Subtopic 825-20), which amends the guidance in U.S. GAAP on the classification and measurement of financial instruments. Although the ASU retains many current requirements, it significantly revises an entity's accounting related to the classification and measurement of investments in equity securities and the presentation of certain fair value changes for financial liabilities measured at fair value. The ASU also amends certain disclosure requirements associated with the fair value of financial instruments. The new standard is effective for fiscal years and interim periods within those fiscal years beginning after December 15, 2017, with early adoption permitted for certain changes. The Company has not yet determined the method of adoption and the potential effect the new standard will have on the Company's consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842), which is intended to increase the transparency and comparability in the reporting of leasing arrangements by generally requiring leased assets and liabilities to be recorded on the balance sheet. The new standard is effective for fiscal years and interim periods within those fiscal years beginning after December 15, 2018, with early adoption permitted. The Company has not yet determined the method of adoption and the potential effect the new standard will have on the Company's consolidated financial statements.

In March 2016, the FASB issued ASU No. 2016-09, Improvements to Employee Share-Based Payment Accounting (Topic 718), which simplifies several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification in the statement of cash flows. The new standard is effective for fiscal years and interim periods within those fiscal years beginning after December 15, 2016, with early adoption permitted. The Company has not yet determined the method of adoption and the potential effect the new standard will have on the Company's consolidated financial statements.

In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments – Credit Loss (Topic 326): Measurement of Credit Losses on Financial Instruments, which significantly changes how companies measure and recognize credit impairment for many financial assets. The new current expected credit loss model will require companies to immediately recognize an estimate of credit losses expected to occur over the remaining life of the financial assets that are in the scope of the standard. The ASU also makes targeted amendments to the current impairment model for available-for-sale debt securities. The new standard is effective for fiscal years and interim periods within those fiscal years beginning after December 15, 2019, with early adoption permitted. The Company has not yet determined the method of adoption and the potential effect the new standard will have on the Company's consolidated financial statements.

In August 2016, the FASB issued ASU No. 2016-15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments, which clarifies how certain cash receipts and cash payments should be presented and classified in the statement of cash flows. The new standard is effective for fiscal years and interim periods within those fiscal years beginning after December 15, 2017, with early adoption permitted. The Company has not yet

determined the method of adoption and the potential effect the new standard will have on the Company's consolidated financial statements.

3. Net Loss per Common Share

Basic net loss per common share is calculated by dividing net loss by the weighted-average number of shares of common stock outstanding during the period, without consideration of common share equivalents. Diluted net loss per common share is computed by dividing net loss by the weighted-average number of shares of common stock and common share equivalents outstanding for the period. Common share equivalents are only included in the calculation of diluted net loss per common share when their effect is dilutive.

Potential dilutive securities, which include unvested restricted stock awards ("RSAs"), unvested restricted stock units ("RSUs"), vested and unvested options to purchase common stock ("options") and shares to be issued under our employee stock purchase plan ("ESPP") have been excluded from the computation of diluted net loss per share as the effect is antidilutive. Therefore, the denominator used to calculate both basic and diluted net loss per common share is the same in all periods presented.

The following table represents the potential common shares issuable pursuant to outstanding securities as of the related period end dates that were excluded from the computation of diluted net loss per common share as their inclusion would have an antidilutive effect:

	As of September 30,	
	2016	2015
Unvested RSAs	18,510	333,652
Unvested RSUs	1,371,269	453,449
Vested and unvested options	3,744,176	543,990
ESPP share purchase rights	15,888	—

4. Financial Instruments

Our financial assets are measured at fair value on a recurring basis using the following hierarchy to prioritize valuation inputs, in accordance with applicable GAAP:

Level 1: Quoted prices in active markets for identical assets or liabilities that we have the ability to access

Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data such as quoted prices, interest rates and yield curves

Level 3: Inputs that are unobservable data points that are not corroborated by market data

We review the fair value hierarchy classification on a quarterly basis. Changes in the ability to observe valuation inputs may result in a reclassification of levels of certain securities within the fair value hierarchy. We recognize transfers into and out of levels within the fair value hierarchy in the period in which the actual event or change in circumstances that caused the transfer occurs. There have been no transfers between Level 1, Level 2, and Level 3 in any periods presented.

The following tables summarize the estimated fair value and related valuation input hierarchy of our financial assets measured on a recurring basis, which were comprised solely of available-for-sale securities as of each period end:

As of September 30, 2016:	Input Level	Total Amortized Cost	Total Unrealized Gain	Total Unrealized Loss	Total Estimated Fair Value
		(in thousands)			
Money market funds	Level 1	$37,397	$ —	$ —	$37,397
U.S. Treasury obligations	Level 2	75,107	42	(5)	75,144
Government agency obligations	Level 2	24,834	19	(6)	24,847

Corporate debt obligations	Level 2	126,587	31	(66)	126,552
Commercial paper	Level 2	900	—	—	900
Asset-backed securities	Level 2	13,262	18	—	13,280
Total available-for-sale securities		278,087	110	(77)	278,120
Less amounts classified as cash equivalents		(45,988)	—	2	(45,986)
Amounts classified as short-term securities		$232,099	$ 110	$ (75)	$232,134

As of December 31, 2015:	Input Level	Total Amortized Cost	Total Unrealized Gain	Total Unrealized Loss	Total Estimated Fair Value
		(in thousands)			
Money market funds	Level 1	$16,364	$ —	$ —	$16,364
U.S. Treasury obligations	Level 2	599	—	(1)	598
Government agency obligations	Level 2	36,480	1	(88)	36,393
Corporate debt obligations	Level 2	203,767	8	(339)	203,436
Commercial paper	Level 2	999	—	—	999
Asset-backed securities	Level 2	61,304	2	(102)	61,204
Total available-for-sale securities		319,513	11	(530)	318,994
Less amounts classified as cash equivalents		(22,259)	—	1	(22,258)
Amounts classified as short-term securities		$297,254	$ 11	$ (529)	$296,736

The amortized cost and fair value of our available-for-sale securities by contractual maturity were as follows:

	As of September 30, 2016		As of December 31, 2015	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
	(in thousands)		(in thousands)	
Maturing within one year	$225,940	$225,953	$211,311	$211,059
Maturing in one to five years	52,147	52,167	108,202	107,935
Total available-for-sale securities	$278,087	$278,120	$319,513	$318,994

As of September 30, 2016, certain available-for-sale securities had been in a continuous unrealized loss position, each for less than twelve months. As of this date, no significant facts or circumstances were present to indicate a deterioration in the creditworthiness of the respective issuers, and the Company has no requirement or intention to sell these securities before maturity or recovery of their amortized cost basis. During the three and nine months ended September 30, 2016 and 2015, we did not recognize any other-than-temporary impairment loss.

5. License and Collaboration Agreements

MSK Agreements – In September 2014, we entered into an exclusive option agreement with MSK under which we had the right to acquire the exclusive worldwide license rights to three clinical stage T-cell therapies from MSK. In exchange for the option, we paid $1.25 million in cash and issued 59,761 shares of our common stock to MSK, which at the time of issuance had an estimated fair value of $0.75 million. The total of $2.0 million was recorded as research and development expense in our statements of operations and comprehensive loss.

In June 2015, we exercised our option and entered into an exclusive license agreement with MSK. In connection with the execution of the license agreement, we paid $4.5 million in cash to MSK, which was recorded as research and development expense in our statement of operations and comprehensive loss.

We are required to make additional payments of up to $33.0 million to MSK based on achievement of specified regulatory and sales-related milestones, as well as mid-single-digit percentage tiered royalty payments based on future sales of products resulting from the development of the licensed product candidates, if any. In addition, under certain circumstances, we are required to make certain minimum annual royalty payments to MSK, which are creditable against earned royalties owed for the same annual period. We are also required to pay a low double-digit percentage of any consideration we receive for sublicensing the licensed rights. The license agreement expires on a product-by-product and country-by-country basis on the later of: (i) expiration of the last licensed patent rights related to each licensed product, (ii) expiration of any market exclusivity period granted by law with respect to each licensed product, and (iii) a specified number of years after the first commercial sale of the licensed product in each country. Upon expiration of the license agreement, Atara will retain non-exclusive rights to the licensed products.

Amgen License Agreements - In September 2012, we entered into three license agreements with Amgen. In accordance with terms of the agreements with Amgen, we use commercially reasonable efforts to prepare, file,

prosecute, defend and maintain the patents covered by the license agreements. During the three months ended September 30, 2016 and 2015, we incurred expenses of $0.3 million and $0.5 million, respectively, related to these activities. During the nine months ended September 30, 2016 and 2015, we incurred expenses of $0.8 million and $1.3 million, respectively, related to these activities.

In December 2015, we announced that we would be suspending further development of PINTA 745 and in June 2016, we returned the rights related to this and the ATA 842 program to Amgen. Under the remaining license agreements, potential payments of up to $58.0 million are due to Amgen upon the achievement of development and regulatory approval milestones and payments of up to $104.0 million are due upon the achievement of sales-based milestones.

We are also required to pay mid-single-digit percentage tiered royalties on future net sales of products which are developed and approved as defined by the agreements, if any. Our royalty obligations as to a particular licensed product will be payable, on a country-by-country and product-by-product basis, until the later of (a) the date of expiration of the last to expire valid claim within the licensed patents that covers the manufacture, use or sale, offer to sell, or import of such licensed product by us or a sublicense in such country, (b) loss of regulatory exclusivity, or (c) 10 years after the first commercial sale of the applicable licensed product in the applicable country. These agreements expire at the end of all royalty obligations to Amgen and, upon expiration, the licenses will be fully paid, royalty-free, irrevocable and non-exclusive.

QIMR Berghofer Agreements – In October 2015, we entered into an exclusive license agreement and a research and development collaboration agreement with QIMR Berghofer.

Under the terms of the license agreement, we obtained an exclusive, worldwide license to develop and commercialize allogeneic cytotoxic T-lymphocyte ("CTL") therapy programs utilizing technology and know-how developed by QIMR Berghofer. In consideration for the exclusive license, we paid $3.0 million in cash to QIMR Berghofer, which was recorded as research and development expense in our statement of operations and comprehensive loss in the fourth quarter of 2015. In September 2016, the exclusive license agreement and research and development collaboration agreement were amended and restated. Under the amended and restated agreements, we obtained an exclusive, worldwide license to develop and commercialize additional CTL programs as well as the option to license additional technology in exchange for $3.3 million in cash, which was recorded as research and development expense in our statement of operations and comprehensive loss in the third quarter of 2016 and paid in October 2016. The amended and restated license agreement also provides for various milestone and royalty payments to QIMR Berghofer based on future product sales, if any.

Under the terms of the amended and restated research and development collaboration agreement, we are also required to reimburse the cost of agreed-upon development activities related to programs developed under the collaboration. These payments are expensed on a straight-line basis over the related development periods and resulted in research and development expense of $0.3 million and $0.9 million for the three and nine months ended September 30, 2016, respectively. The agreement also provides for various milestone payments to QIMR Berghofer based on achievement of certain developmental and regulatory milestones.

Milestones and royalties under each of the above agreements are contingent upon future events and will be recorded as expense when it is probable that the milestones will be achieved or royalties are due. As of September 30, 2016 and December 31, 2015, there were no outstanding obligations for milestones and royalties to MSK, Amgen and QIMR Berghofer.

6. Commitments and Contingencies

License and Collaboration Agreements

Certain potential payments related to our license and collaboration agreements, including milestone and royalty payments, are detailed in Note 5. As the achievement of these milestones and royalties are currently not fixed and determinable, such commitments have not been included in our condensed consolidated balance sheets.

Other Research and Development Agreements

We may enter into contracts in the normal course of business with clinical research organizations for clinical trials, with contract manufacturing organizations for clinical supplies, and with other vendors for pre-clinical studies, supplies and other services for our operating purposes. These contracts generally provide for termination on notice, with the exception of potential termination charges related to one of our contract manufacturing agreements in the event certain minimum purchase volumes are not met. As of September 30, 2016 and December 31, 2015, there were no amounts accrued related to termination charges for minimum purchase volumes not being met.

Operating Leases

In December 2015, we entered into a lease agreement for our new corporate headquarters in South San Francisco, California, which is expected to expire in April 2021. In connection with the lease, we issued a letter of credit for $0.2 million to the landlord, which expires in December 2016 and is classified as restricted cash in our condensed consolidated balance sheet. In May 2016, we subleased our previous corporate facility to a third party through January 2017. Other leased property includes a facility in Westlake Village, California under a lease agreement that expires in April 2019. As of September 30, 2016, future minimum commitments for our operating leases were as follows:

Periods Ending December 31,	Operating Leases (in thousands)
Remaining 2016	$ 375
2017	1,294
2018	980
2019	732
2020	613
Thereafter	259
Total operating lease commitments	$ 4,253
Less income from sublease	70
Net minimum operating lease commitments	$ 4,183

Rent expense for the three months ended September 30, 2016 and 2015 was $0.3 million and $0.1 million, respectively. Rent expense for the nine months ended September 30, 2016 and 2015 was $0.9 million and $0.3 million, respectively.

Indemnification Agreements

In the normal course of business, we enter into contracts and agreements that contain a variety of representations and warranties and provide for indemnification for certain liabilities. The exposure under these agreements is unknown because it involves claims that may be made against us in the future but have not yet been made. To date, we have not paid any claims or been required to defend any action related to our indemnification obligations. However, we may record charges in the future as a result of these indemnification obligations. We also have indemnification obligations to our directors and executive officers for specified events or occurrences, subject to some limits, while they are serving at our request in such capacities. There have been no claims to date and we believe the fair value of these indemnification agreements is minimal. Accordingly, we did not record liabilities for these agreements as of September 30, 2016 and December 31, 2015.

Contingencies

From time to time, we may be involved in legal proceedings, as well as demands, claims and threatened litigation, which arise in the normal course of our business or otherwise. The ultimate outcome of any litigation is uncertain and unfavorable outcomes could have a negative impact on our results of operations and financial condition. Regardless of outcome, litigation can have an adverse impact on us because of the defense costs, diversion of management resources and other factors. We are not currently involved in any material legal proceedings.

7. Stockholders' Equity

The following shares of common stock were reserved for future issuance as of September 30, 2016:

	Total Shares Reserved
2014 Equity Incentive Plan	9,182,558
2014 Employee Stock Purchase Plan	663,667
Total reserved shares of common stock	9,846,225

Restricted Stock Awards

In August 2012 and March 2013, our chief executive officer and one other Atara employee purchased RSAs with certain service and performance conditions. As of September 30, 2016, 1,316,875 of these shares had vested and are reported as shares outstanding in the financial statements. The remaining 18,510 shares vest in October 2016. Stock-based compensation expense related to the RSAs is recorded using accelerated graded vesting model and was $32,000 and $0.2 million for the three months ended September 30, 2016 and 2015, respectively, and $0.2 million and $0.8 million for the nine months ended September 30, 2016 and 2015, respectively. There is no unrecognized stock-based compensation expense related to unvested RSAs as of September 30, 2016. The aggregate intrinsic value of unvested RSAs was $0.4 million as of September 30, 2016.

2014 Equity Incentive Plan (“2014 EIP”)

Our 2014 EIP permits the issuance of options, RSAs, RSUs and other types of awards to employees, directors and consultants.

In June 2016, our stockholders approved an increase of 4,000,000 shares to the shares reserved for issuance under the 2014 EIP. As of September 30, 2016, a total of 9,182,558 shares of common stock were reserved for issuance under the 2014 Plan, of which 5,140,848 were subject to outstanding options and RSUs and 4,041,710 shares were available for future grant.

Restricted Stock Awards and Units

The following is a summary of RSA and RSU activity under our 2014 EIP:

	RSAs		RSUs	
	Shares	Weighted Average Grant Date Fair Value	Shares	Weighted Average Grant Date Fair Value
Unvested as of December 31, 2015	48,317	$ 0.40	427,605	$ 7.86
Granted	—		1,142,697	$ 17.83
Forfeited	—		(44,746)	$ 11.87
Vested	(48,317)	$ 0.40	(154,287)	$ 6.33
Unvested as of September 30, 2016	—		1,371,269	$ 16.21
Vested and unreleased				