

**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 March 31, 2019

OR

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

Commission File Number: 000-15006

CELLDEX THERAPEUTICS, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or organization)

No. 13-3191702
(I.R.S. Employer Identification No.)

Perryville III Building, 53 Frontage Road, Suite 220, Hampton, New Jersey 08827
(Address of principal executive offices) (Zip Code)

(908) 200-7500
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Trading Symbol(s)</u>	<u>Name of each exchange on which registered</u>
Common Stock, par value \$.001	CLDX	Nasdaq Capital Market

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 every Interactive Data File required to be submitted 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 such files). Yes No

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company
Emerging growth company

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

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

As of April 30, 2019, 13,768,878 shares of common stock, \$.001 par value per share, were outstanding.

CELLDEX THERAPEUTICS, INC.
FORM 10-Q
For the Quarterly Period Ended March 31, 2019
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PART I — FINANCIAL INFORMATION**Item 1. Unaudited Financial Statements****CELLDEX THERAPEUTICS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)****(In thousands, except share and per share amounts)**

	<u>March 31, 2019</u>	<u>December 31, 2018</u>
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 31,533	\$ 24,310
Marketable Securities	53,535	69,712
Accounts and Other Receivables	2,307	3,162
Prepaid and Other Current Assets	1,476	1,895
Total Current Assets	<u>88,851</u>	<u>99,079</u>
Property and Equipment, Net	5,462	6,111
Operating Lease Right-of-Use Assets, Net	4,445	—
Intangible Assets, Net	48,690	48,690
Other Assets	129	1,929
Total Assets	<u>\$ 147,577</u>	<u>\$ 155,809</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts Payable	\$ 1,105	\$ 1,069
Accrued Expenses	5,474	7,007
Current Portion of Operating Lease Liabilities	2,633	—
Current Portion of Other Long-Term Liabilities	2,777	4,526
Total Current Liabilities	<u>11,989</u>	<u>12,602</u>
Long-Term Portion of Operating Lease Liabilities	2,599	—
Other Long-Term Liabilities	20,296	19,147
Total Liabilities	<u>34,884</u>	<u>31,749</u>
Commitments and Contingent Liabilities		
Stockholders' Equity:		
Convertible Preferred Stock, \$.01 Par Value; 3,000,000 Shares Authorized; No Shares Issued and Outstanding at March 31, 2019 and December 31, 2018	—	—
Common Stock, \$.001 Par Value; 297,000,000 Shares Authorized; 12,844,711 and 11,957,635 Shares Issued and Outstanding at March 31, 2019 and December 31, 2018, Respectively	13	12
Additional Paid-In Capital	1,089,755	1,083,903
Accumulated Other Comprehensive Income	2,602	2,583
Accumulated Deficit	<u>(979,677)</u>	<u>(962,438)</u>
Total Stockholders' Equity	<u>112,693</u>	<u>124,060</u>
Total Liabilities and Stockholders' Equity	<u>\$ 147,577</u>	<u>\$ 155,809</u>

See accompanying notes to unaudited condensed consolidated financial statements

CELLDEX THERAPEUTICS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(Unaudited)

(In thousands, except per share amounts)

	Three Months Ended March 31, 2019	Three Months Ended March 31, 2018
REVENUES:		
Product Development and Licensing Agreements	\$ 129	\$ 992
Contracts and Grants	1,296	3,076
Total Revenues	<u>1,425</u>	<u>4,068</u>
OPERATING EXPENSES:		
Research and Development	11,151	21,875
General and Administrative	4,896	5,593
Goodwill Impairment	—	90,976
Intangible Asset Impairment	—	18,677
Other Asset Impairment	1,800	—
Loss/(Gain) on Fair Value Remeasurement of Contingent Consideration	1,519	(13,600)
Amortization of Acquired Intangible Assets	—	224
Total Operating Expenses	<u>19,366</u>	<u>123,745</u>
Operating Loss	(17,941)	(119,677)
Investment and Other Income, Net	702	780
Net Loss Before Income Tax Benefit	(17,239)	(118,897)
Income Tax Benefit	—	765
Net Loss	<u>\$ (17,239)</u>	<u>\$ (118,132)</u>
Basic and Diluted Net Loss Per Common Share	<u>\$ (1.40)</u>	<u>\$ (12.61)</u>
Shares Used in Calculating Basic and Diluted Net Loss Per Share	<u>12,297</u>	<u>9,370</u>
COMPREHENSIVE LOSS:		
Net Loss	\$ (17,239)	\$ (118,132)
Other Comprehensive Income (Loss):		
Unrealized Gain (Loss) on Marketable Securities	19	(5)
Comprehensive Loss	<u>\$ (17,220)</u>	<u>\$ (118,137)</u>

See accompanying notes to unaudited condensed consolidated financial statements

CELLEX THERAPEUTICS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW
(Unaudited)

(In thousands)

	Three Months Ended March 31, 2019	Three Months Ended March 31, 2018
Cash Flows From Operating Activities:		
Net Loss	\$ (17,239)	\$ (118,132)
Adjustments to Reconcile Net Loss to Net Cash Used in Operating Activities:		
Depreciation and Amortization	1,352	1,028
Amortization of Intangible Assets	—	224
Amortization and Premium of Marketable Securities, Net	(345)	(155)
Loss on Sale or Disposal of Assets	25	10
Goodwill Impairment	—	90,976
Intangible Asset Impairment	—	18,677
Other Asset Impairment	1,800	—
Loss/(Gain) on Fair Value Remeasurement of Contingent Consideration	1,519	(13,600)
Non-Cash Income Tax Benefit	—	(765)
Stock-Based Compensation Expense	1,693	2,488
Changes in Operating Assets and Liabilities:		
Accounts and Other Receivables	855	(1,635)
Prepaid and Other Current Assets	299	(144)
Accounts Payable and Accrued Expenses	(1,455)	(5,919)
Other Liabilities	(1,737)	(1,075)
Net Cash Used in Operating Activities	<u>(13,233)</u>	<u>(28,022)</u>
Cash Flows From Investing Activities:		
Sales and Maturities of Marketable Securities	37,886	46,871
Purchases of Marketable Securities	(21,404)	(31,117)
Acquisition of Property and Equipment	(186)	(259)
Net Cash Provided by Investing Activities	<u>16,296</u>	<u>15,495</u>
Cash Flows From Financing Activities:		
Net Proceeds from Stock Issuances	4,151	11,689
Proceeds from Issuance of Stock from Employee Benefit Plans	9	374
Net Cash Provided by Financing Activities	<u>4,160</u>	<u>12,063</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	7,223	(464)
Cash and Cash Equivalents at Beginning of Period	24,310	40,288
Cash and Cash Equivalents at End of Period	<u>\$ 31,533</u>	<u>\$ 39,824</u>
<i>Non-cash Investing Activities</i>		
Accrued construction in progress	\$ 65	\$ 212
<i>Non-cash Supplemental Disclosure</i>		
Shares issued to former Kolltan executive for settlement of severance	\$ —	\$ 38

See accompanying notes to unaudited condensed consolidated financial statements

CELLEX THERAPEUTICS, INC.
Notes to Unaudited Condensed Consolidated Financial Statements
March 31, 2019

(1) Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared by Celldex Therapeutics, Inc. (the “Company” or “Celldex”) in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) and reflect the operations of the Company and its wholly-owned subsidiaries. All intercompany balances and transactions have been eliminated in consolidation.

These interim financial statements do not include all the information and footnotes required by U.S. GAAP for annual financial statements and should be read in conjunction with the audited financial statements for the year ended December 31, 2018, which are included in the Company’s Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 7, 2019. In the opinion of management, the interim financial statements reflect all normal recurring adjustments necessary to fairly state the Company’s financial position and results of operations for the interim periods presented. The year-end condensed balance sheet data presented for comparative purposes was derived from audited financial statements but does not include all disclosures required by U.S. GAAP.

The results of operations for the interim periods are not necessarily indicative of the results of operations to be expected for any future interim period or the fiscal year ending December 31, 2019.

At March 31, 2019, the Company had cash, cash equivalents and marketable securities of \$85.1 million. The Company has had recurring losses and incurred a loss of \$17.2 million for the three months ended March 31, 2019. Net cash used in operations for the three months ended March 31, 2019 was \$13.2 million. The Company believes that the cash, cash equivalents and marketable securities at May 7, 2019 will be sufficient to meet estimated working capital requirements and fund planned operations for at least the next twelve months from the date of issuance of these financial statements.

The Board of Directors of the Company approved a one for fifteen reverse stock split of the Company’s outstanding common stock, which was effected on February 8, 2019. All share and per share amounts in the financial statements have been retroactively adjusted for all periods presented to give effect to the reverse stock split, including reclassifying an amount equal to the reduction in par value to additional paid-in capital.

During the next twelve months and beyond, the Company will take further steps to raise additional capital to meet its liquidity needs. These capital raising activities may include, but may not be limited to, one or more of the following: the licensing of drug candidates with existing or new collaborative partners, possible business combinations, issuance of debt, or the issuance of common stock or other securities via private placements or public offerings. While the Company may seek capital through a number of means, there can be no assurance that additional financing will be available on acceptable terms, if at all, and the Company’s negotiating position in capital-raising efforts may worsen as existing resources are used. There is also no assurance that the Company will be able to enter into further collaborative relationships. Additional equity financings may be dilutive to the Company’s stockholders; debt financing, if available, may involve significant cash payment obligations and covenants that restrict the Company’s ability to operate as a business; and licensing or strategic collaborations may result in royalties or other terms which reduce the Company’s economic potential from products under development. The Company’s ability to continue funding its planned operations into and beyond twelve months from the issuance date is also dependent on the timing and manner of payment of future contingent milestones from the Kolltan acquisition, in the event that the Company achieves the drug candidate milestones related to those payments. The Company, at its option, may decide to pay those milestone payments in cash, shares of its common stock or a combination thereof. If the Company is unable to raise the funds necessary to meet its liquidity needs, it may have to delay or discontinue the development of one or more programs, discontinue or delay ongoing or anticipated clinical trials, license out programs earlier than expected, raise funds at a significant discount or on other unfavorable terms, if at all, or sell all or a part of the Company.

(2) Significant Accounting Policies

The significant accounting policies used in preparation of these condensed consolidated financial statements on Form 10-Q for the three months ended March 31, 2019 are consistent with those discussed in Note 2 to the financial statements in our Annual Report on Form 10-K for the year ended December 31, 2018, except as it relates to the adoption of new accounting standards during the first three months of 2019 as discussed below.

Newly Adopted Accounting Pronouncements

On January 1, 2019, the Company adopted a new U.S. GAAP accounting standard which requires that all lessees recognize the assets and liabilities that arise from leases on the balance sheet and disclose qualitative and quantitative information about its leasing arrangements. The new standard was adopted using the modified retrospective transition method, which requires the Company to apply the standard as of the effective date and does not require restatement of prior periods. The Company elected to apply the package of practical expedients, which allowed the Company to not reassess: (i) whether expired or existing contracts contain leases; (ii) lease classification for any expired or existing leases; and (iii) initial direct costs for any existing leases. Adoption of this standard did not have a material impact on the Company's Consolidated Statement of Operations and Comprehensive Loss or Statement of Cash Flow, however, upon adoption, the Company recorded right-of-use assets of \$3.8 million and lease liabilities of \$4.7 million on its Consolidated Balance Sheet related to the Company's operating leases. The difference between the right-of-use assets and lease liabilities recorded upon adoption is due to certain adjustments required to the right-of-use assets for prepaid rent and accrued termination expenses. Refer to Note 5 "Leases" for the Company's updated lease accounting policy and disclosures.

Recent Accounting Pronouncements

From time to time, new accounting pronouncements are issued by the FASB or other standard setting bodies that are adopted by the Company as of the specified effective date. Unless otherwise discussed, the Company believes that the impact of recently issued standards that are not yet effective will not have a material impact on the Company's consolidated financial statements upon adoption.

In June 2016, the FASB issued guidance on the Measurement of Credit Losses on Financial Instruments. The guidance requires that credit losses be reported using an expected losses model rather than the incurred losses model that is currently used, and establishes additional disclosures related to credit risks. For available-for-sale debt securities with unrealized losses, the standard now requires allowances to be recorded instead of reducing the amortized cost of the investment. This standard will be effective for the Company on January 1, 2020. We are currently evaluating the potential impact that this standard may have on the Company's consolidated financial statements and related disclosures.

In August 2018, the FASB issued amendments that modify certain disclosure requirements for fair value measurements. The amendments become effective, including interim periods, beginning January 1, 2020. Early adoption, of all the amendments or only the provisions that eliminate or modify the requirements, is permitted. The adoption of this new guidance is not expected to have a material impact on the Company's consolidated financial statements and related disclosures.

In November 2018, the FASB issued guidance to clarify the interaction between the accounting guidance for collaborative arrangements and revenue from contracts with customers. The amendments become effective, including interim periods, beginning January 1, 2020. Early adoption, including adoption in an interim period, is permitted. This guidance is required to be applied retrospectively as of the date of our adoption of the new revenue standard on January 1, 2018. We are currently evaluating the timing of our adoption and the expected impact this guidance could have on our consolidated financial statements and related disclosures.

(3) Fair Value Measurements

The following tables set forth the Company's financial assets and liabilities subject to fair value measurements:

	As of March 31, 2019	Level 1	Level 2	Level 3
(In thousands)				
Assets:				
Money market funds and cash equivalents	\$ 21,432	—	\$ 21,432	—
Marketable securities	53,535	—	53,535	—
	<u>\$ 74,967</u>	<u>—</u>	<u>\$ 74,967</u>	<u>—</u>
Liabilities:				
Kolltan acquisition contingent consideration	\$ 15,298	—	—	\$ 15,298
	<u>\$ 15,298</u>	<u>—</u>	<u>—</u>	<u>\$ 15,298</u>

	As of December 31, 2018	Level 1	Level 2	Level 3
(In thousands)				
Assets:				
Money market funds and cash equivalents	\$ 15,755	—	\$ 15,755	—
Marketable securities	69,712	—	69,712	—
	<u>\$ 85,467</u>	<u>—</u>	<u>\$ 85,467</u>	<u>—</u>
Liabilities:				
Kolltan acquisition contingent consideration	\$ 13,779	—	—	\$ 13,779
	<u>\$ 13,779</u>	<u>—</u>	<u>—</u>	<u>\$ 13,779</u>

The Company's financial assets consist mainly of money market funds and cash equivalents and marketable securities and are classified as Level 2 within the valuation hierarchy. The Company values its marketable securities utilizing independent pricing services which normally derive security prices from recently reported trades for identical or similar securities, making adjustments based on significant observable transactions. At each balance sheet date, observable market inputs may include trade information, broker or dealer quotes, bids, offers or a combination of these data sources.

The following table reflects the activity for the Company's contingent consideration liabilities measured at fair value using Level 3 inputs for the three months ended March 31, 2019 (in thousands):

	Other Liabilities: Contingent Consideration
Balance at December 31, 2018	\$ 13,779
Fair value adjustments included in operating expenses	1,519
Balance at March 31, 2019	<u>\$ 15,298</u>

The valuation technique used to measure fair value of the Company's Level 3 liabilities, which consist of contingent consideration related to the acquisition of Kolltan in 2016, was primarily an income approach. The Company may be required to pay future consideration of up to \$127.5 million that is contingent upon the achievement of specified development, regulatory approvals or sales-based milestone events. The significant unobservable inputs used in the fair value measurement of the contingent consideration are estimates including probability of success, discount rates and amount of time until the conditions of the milestone payments are met.

During the three months ended March 31, 2019, the Company recorded a \$1.5 million loss on fair value remeasurement of contingent consideration, primarily due to changes in discount rates and the passage of time. During the three months ended March 31, 2018, the Company recorded a \$13.6 million gain on fair value remeasurement of contingent consideration, primarily due to updated assumptions for Glemba-related milestones due to the METRIC failure and discontinuation of the Glemba program.

The Company did not have any transfers of assets or liabilities between the fair value measurement classifications during the three months ended March 31, 2019.

(4) Marketable Securities

The following is a summary of marketable securities, classified as available-for-sale:

	Amortized Cost	Gross Unrealized		Fair Value
		Gains	Losses	
(In thousands)				
March 31, 2019				
U.S. government and municipal obligations (maturing in one year or less)	\$ 17,641	\$ 3	\$ —	\$ 17,644
Corporate debt securities (maturing in one year or less)	35,888	4	(1)	35,891
Total Marketable Securities	<u>\$ 53,529</u>	<u>\$ 7</u>	<u>\$ (1)</u>	<u>\$ 53,535</u>
December 31, 2018				
U.S. government and municipal obligations (maturing in one year or less)	\$ 27,355	\$ —	\$ (4)	\$ 27,351
Corporate debt securities (maturing in one year or less)	42,370	—	(9)	42,361
Total Marketable Securities	<u>\$ 69,725</u>	<u>\$ —</u>	<u>\$ (13)</u>	<u>\$ 69,712</u>

The Company holds investment-grade marketable securities, and none were in a continuous unrealized loss position for more than twelve months as of March 31, 2019 and December 31, 2018. The unrealized losses are attributable to changes in interest rates and the Company does not believe any unrealized losses represent other-than-temporary impairments. Marketable securities include \$0.1 million in accrued interest at March 31, 2019 and December 31, 2018.

(5) Leases

The Company has operating leases of office and laboratory space, which have remaining lease terms of one to six years and may include one or more options to renew or terminate early.

The Company determines if an arrangement contains a lease at inception. Operating lease right-of-use assets and lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term at commencement date. Certain adjustments to the right-of-use asset may be required for items such as prepaid or accrued lease payments, initial direct costs paid or incentives received. The Company's leases do not contain an implicit rate, and therefore the Company uses an estimated incremental borrowing rate based on the information available at the lease commencement date in determining the present value of lease payments. Options to extend or terminate the lease are reflected in the calculation when it is reasonably certain that the option will be exercised. The Company has elected to account for lease and non-lease components as a single lease component, however non-lease components that are variable, such as common area maintenance and utilities, are generally paid separately from rent based on actual costs incurred and therefore are not included in the right-of-use asset and operating lease liability and are reflected as an expense in the period incurred. Leases with an initial term of 12 months or less are not recorded on the balance sheet.

During the quarter ended March 31, 2019, the Company amended its Hampton, New Jersey lease to eliminate 16,200 square feet of space and extend the remaining 33,400 square feet of space for an additional five-year term with an early termination option after three years. The Company recorded an additional right-of-use asset and lease liability of \$1.4 million for the initial 3 years related to the amendment.

Operating lease expense and variable lease expense was \$0.7 million and \$0.4 million for the three months ended March 31, 2019, respectively. Operating cash flows used for operating leases during the three months ended March 31, 2019 was \$0.9 million. As of March 31, 2019, the weighted-average remaining lease term was 2 years and the weighted-average discount rate was 11.3%.

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Future minimum lease payments under non-cancellable leases as of March 31, 2019 were as follows:

Remainder of 2019	\$	2,277
2020		2,171
2021		508
2022		746
2023		311
Total lease payments		6,013
Less imputed interest		(781)
Present value of operating lease liabilities	\$	<u>5,232</u>

Under the prior lease accounting guidance, operating lease obligations, including estimated variable lease obligations, as of December 31, 2018 were as follows:

2019	\$	4,648
2020		3,140
Thereafter		—
Total lease payments	\$	<u>7,788</u>

(6) Intangible Assets and Goodwill

Intangible Assets, Net

As a result of the discontinuation of the Glemba program, the Company concluded that the finite-lived intangible asset related to its Amgen Fremont license rights to develop and commercialize Glemba was fully impaired and a non-cash impairment charge of \$6.9 million was recorded in the first quarter of 2018. Amortization expense related to this finite-lived intangible asset was \$0.0 million and \$0.2 million for the three months ended March 31, 2019 and 2018, respectively.

At March 31, 2019 and 2018, the Company recorded indefinite-lived intangible assets of \$48.7 million. Indefinite-lived intangible assets consist of acquired in-process research and development (“IPR&D”) related to the development of CDX-3379, the anti-KIT program and the TAM program. CDX-3379 is in Phase 2 development. The anti-KIT and TAM programs are in preclinical development. As of March 31, 2019, none of the Company’s IPR&D assets had reached technological feasibility nor did any have alternative future uses.

The Company performs an impairment test on IPR&D assets at least annually, or more frequently if events or changes in circumstances indicate that IPR&D assets may be impaired. As a result of the discontinuation of the Glemba program, the Company concluded that the Glemba IPR&D asset was fully impaired and a non-cash impairment charge of \$11.8 million was recorded in the first quarter of 2018. Due to the nature of IPR&D projects, the Company may experience future delays or failures to obtain regulatory approvals to conduct clinical trials, failures of such clinical trials or other failures to achieve a commercially viable product, and as a result, may recognize further impairment losses in the future.

Goodwill

The Company evaluated goodwill for potential impairment due to the discontinuation of the Glemba program. The carrying amount of the Company was compared to the Company’s fair value. The Company’s fair value assessment reflected a number of significant management assumptions and estimates including the Company’s probability forecasts for pipeline assets, income taxes, capital expenditures, market premium and changes in working capital requirements. Changes in these assumptions and/or discount rates could materially impact the Company’s conclusions. Through this assessment, it was determined that the carrying amount of the Company exceeded its fair value by over \$91.0 million. As such, the full goodwill asset was considered impaired and a charge of \$91.0 million was recorded during the first quarter of 2018.

(7) Other Assets

In 2016, the Company entered into a research and collaboration agreement with an undisclosed private company to access novel technologies and paid \$3.5 million to support research activities and make an investment in the private company. The Company recorded \$1.8 million to other assets related to this investment and \$1.7 million was recorded to research and development expense over the term of the research activities. The stock of the private company does not have a readily determinable fair value, and therefore it is measured at cost less impairment, if any. Based on information received in April 2019, it was determined that there was a deterioration of the private company’s financial condition due to a working capital deficiency and an inability to secure additional

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funding as of March 31, 2019. Therefore, the Company concluded that the investment is impaired, and a non-cash impairment charge of \$1.8 million was recorded for the three months ended March 31, 2019.

(8) Other Long-Term Liabilities

Other long-term liabilities include the following:

	March 31, 2019	December 31, 2018
	(In thousands)	
Net Deferred Tax Liabilities Related to IPR&D (Note 13)	\$ 3,007	\$ 3,007
Deferred Income From Sale of Tax Benefits	4,014	4,218
Other	—	1,083
Contingent Milestones (Note 3)	15,298	13,779
Deferred Revenue (Note 12)	754	1,586
Total	23,073	23,673
Less Current Portion	(2,777)	(4,526)
Long-Term Portion	\$ 20,296	\$ 19,147

In November 2015 and December 2014, the Company received approval from the New Jersey Economic Development Authority and agreed to sell New Jersey tax benefits of \$9.8 million and \$1.9 million to an independent third party for \$9.2 million and \$1.8 million, respectively. Under the agreement, the Company must maintain a base of operations in New Jersey for five years or the tax benefits must be paid back on a pro-rata basis based on the number of years completed. The Company recognized \$0.2 million and \$0.4 million in other income related to the sale of these tax benefits during the three months ended March 31, 2019 and 2018, respectively.

(9) Stockholders' Equity

In May 2016, the Company entered into an agreement with Cantor Fitzgerald & Co. ("Cantor") to allow the Company to issue and sell shares of its common stock having an aggregate offering price of up to \$60.0 million from time to time through Cantor, acting as agent. In November 2017, the Company filed a prospectus supplement registering the offer and sale of shares of common stock of up to an additional \$75.0 million under the agreement with Cantor. During the three months ended March 31, 2019, the Company issued 883,569 shares of common stock under this controlled equity offering sales agreement with Cantor resulting in net proceeds of \$4.2 million after deducting commission and offering expenses. At March 31, 2019, the Company had \$33.3 million remaining in aggregate gross offering price available under the Cantor agreement. In April 2019, the Company issued 924,167 shares of its common stock resulting in net proceeds to the Company of \$4.1 million.

The changes in Stockholders' Equity during the three months ended March 31, 2019 and 2018 are summarized below:

	Common Stock Shares	Common Stock Par Value	Additional Paid-In Capital	Accumulated Other Comprehensive Income	Accumulated Deficit	Total Stockholders' Equity
	(In thousands, except share amounts)					
Consolidated Balance at December 31, 2017	9,234,693	9	1,046,313	2,564	(812,517)	236,369
Shares Issued under Stock Option and Employee Stock Purchase Plans	9,453	—	374	—	—	374
Shares Issued in Connection with Cantor Agreement	312,802	—	11,689	—	—	11,689
Shares Issued in Connection with Kolltan Severance	971	—	38	—	—	38
Share-Based Compensation	—	—	2,488	—	—	2,488
Unrealized Loss on Marketable Securities	—	—	—	(5)	—	(5)
Adoption of ASC 606	—	—	—	—	1,261	1,261
Net Loss	—	—	—	—	(118,132)	(118,132)
Consolidated Balance at March 31, 2018	<u>9,557,919</u>	<u>9</u>	<u>1,060,902</u>	<u>2,559</u>	<u>(929,388)</u>	<u>134,082</u>

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	Common Stock Shares	Common Stock Par Value	Additional Paid-In Capital	Accumulated Other Comprehensive Income	Accumulated Deficit	Total Stockholders' Equity
	(In thousands, except share amounts)					
Consolidated Balance at December 31, 2018	11,957,635	12	1,083,903	2,583	(962,438)	124,060
Shares Issued under Stock Option and Employee Stock Purchase Plans	3,507	—	9	—	—	9
Shares Issued in Connection with Cantor Agreement	883,569	1	4,150	—	—	4,151
Share-Based Compensation	—	—	1,693	—	—	1,693
Unrealized Gain on Marketable Securities	—	—	—	19	—	19
Net Loss	—	—	—	—	(17,239)	(17,239)
Consolidated Balance at March 31, 2019	<u>12,844,711</u>	<u>13</u>	<u>1,089,755</u>	<u>2,602</u>	<u>(979,677)</u>	<u>112,693</u>

(10) Stock-Based Compensation

A summary of stock option activity for the three months ended March 31, 2019 is as follows:

	Shares	Weighted Average Exercise Price Per Share	Weighted Average Remaining Contractual Term (In Years)
Options Outstanding at December 31, 2018	866,132	\$ 93.70	7.1
Granted	900	4.88	
Exercised	—	—	
Canceled	(30,928)	125.69	
Options Outstanding at March 31, 2019	<u>836,104</u>	92.42	7.0
Options Vested and Expected to Vest at March 31, 2019	800,868	95.77	6.9
Options Exercisable at March 31, 2019	416,737	163.47	5.2
Shares Available for Grant Under the 2008 Plan	387,138		

The weighted average grant-date fair value of stock options granted during the three month period ended March 31, 2019 was \$3.67. Stock-based compensation expense for the three months ended March 31, 2019 and 2018 was recorded as follows:

	Three months ended March 31,	
	2019	2018
	(In thousands)	
Research and development	\$ 756	\$ 1,311
General and administrative	937	1,177
Total stock-based compensation expense	<u>\$ 1,693</u>	<u>\$ 2,488</u>

The fair values of employee and director stock options granted during the three months ended March 31, 2019 and 2018 were valued using the Black-Scholes option pricing model with the following assumptions:

	Three months ended March 31,	
	2019	2018
Expected stock price volatility	91%	73%
Expected option term	6.0 Years	6.0 Years
Risk-free interest rate	2.5%	2.8%
Expected dividend yield	None	None

(11) Accumulated Other Comprehensive Income

The changes in accumulated other comprehensive income, which is reported as a component of stockholders' equity, for the three months ended March 31, 2019 are summarized below:

	Unrealized Gain/(Loss) on Marketable Securities	Foreign Currency Items (In thousands)	Total
Balance at December 31, 2018	\$ (13)	\$ 2,596	\$ 2,583
Other comprehensive loss	19	—	19
Balance at March 31, 2019	<u>\$ 6</u>	<u>\$ 2,596</u>	<u>\$ 2,602</u>

No amounts were reclassified out of accumulated other comprehensive income during the three months ended March 31, 2019.

(12) Revenue*Product Development and Licensing Revenue*

The Company's primary product development and licensing revenue is associated with a clinical collaboration agreement with BMS entered into in 2014 to evaluate the safety, tolerability and preliminary efficacy of varlilumab and Opdivo[®], BMS's PD-1 immune checkpoint inhibitor, in a Phase 1/2 study. Under this agreement, BMS made an upfront payment to Celldex of \$5.0 million and provides funding for 50% of the external costs incurred by the Company in connection with the clinical trial. The Company recorded \$0.1 million and \$0.9 million in revenue related to this agreement during the three months ended March 31, 2019 and 2018, respectively.

Contract and Grants Revenue

The Company has entered into agreements with Rockefeller University and Duke University pursuant to which the Company performs manufacturing and research and development services on a time-and-materials basis. The Company recognized \$1.2 million and \$0.8 million in revenue for labor hours and direct costs incurred under these agreements during the three months ended March 31, 2019 and 2018, respectively.

The Company has entered into fixed-fee manufacturing and research and development arrangements with the International AIDS Vaccine Initiative and Frontier Biotechnologies, Inc. The Company recognized \$0.1 million and \$2.3 million in revenue under these agreements during the three months ended March 31, 2019 and 2018, respectively.

Contract Assets and Liabilities

At December 31, 2018 and March 31, 2019, the Company's right to consideration under all contracts was considered unconditional, and as such, there were no recorded contract assets. At December 31, 2018 and March 31, 2019, the Company had \$1.6 million and \$0.8 million in contract liabilities recorded, respectively. Revenue recognized from contract liabilities as of December 31, 2018 during the three months ended March 31, 2019 was \$0.8 million.

(13) Income Taxes

The Company has evaluated the positive and negative evidence bearing upon the realizability of its net deferred tax assets and considered its history of losses, ultimately concluding that it is "more likely than not" that the Company will not recognize the benefits of federal, state and foreign deferred tax assets and, as such, has maintained a full valuation allowance on its deferred tax assets as of March 31, 2019 and December 31, 2018.

The net deferred tax liability of \$3.0 million at March 31, 2019 and December 31, 2018 relates to the temporary differences associated with the IPR&D intangible assets acquired in previous business combinations and is not deductible for tax purposes. As a result of the discontinuation of the Glemba program, the Company recorded a \$0.8 million non-cash income tax benefit during the first quarter of 2018.

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Massachusetts, New Jersey, Connecticut and Australia are the jurisdictions in which the Company primarily operates or has operated and has income tax nexus. The Company is not currently under examination by these or any other jurisdictions for any tax year.

(14) Net Loss Per Share

Basic net loss per common share is based upon the weighted-average number of common shares outstanding during the period, excluding restricted stock that has been issued but is not yet vested. Diluted net loss per common share is based upon the weighted-average number of common shares outstanding during the period plus additional weighted-average potentially dilutive common shares outstanding during the period when the effect is dilutive. The potentially dilutive common shares that have not been included in the net loss per common share calculations because the effect would have been anti-dilutive are as follows:

	Three Months Ended March 31,	
	2019	2018
Stock Options	836,104	630,445
Restricted Stock	3,552	6,445
	<u>839,656</u>	<u>636,890</u>

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

Safe Harbor Statement under the Private Securities Litigation Reform Act of 1995: This report on Form 10-Q contains forward-looking statements made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 under Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements include statements with respect to our beliefs, plans, objectives, goals, expectations, anticipations, assumptions, estimates, intentions and future performance, and involve known and unknown risks, uncertainties and other factors, which may be beyond our control, and which may cause our actual results, performance or achievements to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. All statements other than statements of historical fact are statements that could be forward-looking statements. You can identify these forward-looking statements through our use of words such as “may,” “will,” “can,” “anticipate,” “assume,” “should,” “indicate,” “would,” “believe,” “contemplate,” “expect,” “seek,” “estimate,” “continue,” “plan,” “point to,” “project,” “predict,” “could,” “intend,” “target,” “potential” and other similar words and expressions of the future.

There are a number of important factors that could cause the actual results to differ materially from those expressed in any forward-looking statement made by us. These factors include, but are not limited to:

- our dependence on product candidates, which are still in an early development stage;
- our ability to successfully complete research and further development, including animal, preclinical and clinical studies, and, if we obtain regulatory approval, commercialization of our drug candidates and the growth of the markets for those drug candidates;
- our ability to raise sufficient capital to fund our animal, preclinical and clinical studies and to meet our liquidity needs, on terms acceptable to us, or at all. If we are unable to raise the funds necessary to meet our liquidity needs, we may have to delay or discontinue the development of one or more programs, discontinue or delay ongoing or anticipated clinical trials, license out programs earlier than expected, raise funds at significant discount or on other unfavorable terms, if at all, or sell all or part of our business;
- our anticipated timing for preclinical development, regulatory submissions, commencement and completion of clinical trials and product approvals;
- our ability to negotiate strategic partnerships, where appropriate, for our drug candidates;
- our ability to manage multiple clinical trials for a variety of drug candidates at different stages of development;
- the cost, timing, scope and results of ongoing preclinical and clinical testing;
- our expectations of the attributes of our product and development candidates, including pharmaceutical properties, efficacy, safety and dosing regimens;
- the cost, timing and uncertainty of obtaining regulatory approvals for our drug candidates;
- the availability, cost, delivery and quality of clinical management services provided by our clinical research organization partners;
- the availability, cost, delivery and quality of clinical and commercial-grade materials produced by our own manufacturing facility or supplied by contract manufacturers, suppliers and partners;
- our ability to develop and commercialize products before competitors that are superior to the alternatives developed by such competitors;
- our ability to develop technological capabilities, including identification of novel and clinically important targets, exploiting our existing technology platforms to develop new drug candidates and expand our focus to broader markets for our existing targeted immunotherapeutics;
- our ability to realize the anticipated benefits from the acquisition of Kolltan;

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- our ability to protect our intellectual property rights, including the ability to successfully defend patent oppositions filed against a European patent related to technology we use in varlilumab, and our ability to avoid intellectual property litigation, which can be costly and divert management time and attention;
- our ability to develop and commercialize products without infringing the intellectual property rights of third parties; and
- the risk factors set forth elsewhere in this quarterly report on Form 10-Q and the factors listed under the headings “Business,” “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in the Company’s annual report on Form 10-K for the year ended December 31, 2018 and other reports that we file with the Securities and Exchange Commission.

All forward-looking statements are expressly qualified in their entirety by this cautionary notice. You are cautioned not to place undue reliance on any forward-looking statements, which speak only as of the date of this report or the date of the document incorporated by reference into this report. We have no obligation, and expressly disclaim any obligation, to update, revise or correct any of the forward-looking statements, whether as a result of new information, future events or otherwise. We have expressed our expectations, beliefs and projections in good faith, and we believe they have a reasonable basis. However, we cannot assure you that our expectations, beliefs or projections will result or be achieved or accomplished.

OVERVIEW

We are a biopharmaceutical company focused on the development and commercialization of immunotherapies and other targeted biologics. Our drug candidates are derived from a broad set of complementary technologies which have the ability to engage the human immune system and/or directly inhibit tumors to treat specific types of cancer or other diseases. They are aimed at addressing market opportunities for which we believe current therapies are inadequate or non-existent.

We are focusing our efforts and resources on the continued research and development of:

- CDX-1140, an agonist human monoclonal antibody targeted to CD40, a key activator of immune response, currently being studied as a single-agent and in combination with CDX-301 in a Phase 1 dose-escalation study in multiple types of solid tumors and B cell lymphomas;
- CDX-3379, a human monoclonal antibody designed to block the activity of ErbB3 (HER3), currently in an early Phase 2 study in advanced head and neck squamous cell cancer in combination with Erbitux®;
- CDX-301, a dendritic cell growth factor, currently being evaluated in a combination study with CDX-1140; and
- Varlilumab, an immune modulating antibody targeting CD27 designed to enhance a patient’s immune response, currently being evaluated for potential combination with CDX-1140, especially in lymphomas which co-express CD40 and CD27 receptors.

We routinely work with external parties to collaboratively advance our drug candidates. In addition to Celldex-led studies, we also have an Investigator Initiated Research (IIR) program with eight studies ongoing with our prioritized drug candidates.

Our goal is to build a fully integrated, commercial-stage biopharmaceutical company that develops important therapies for patients with unmet medical needs. We believe our program assets provide us with the strategic options to either retain full economic rights to our innovative therapies or seek favorable economic terms through advantageous commercial partnerships. This approach allows us to maximize the overall value of our technology and product portfolio while best ensuring the expeditious development of each individual product. Currently, all programs are fully owned by Celldex.

The expenditures that will be necessary to execute our business plan are subject to numerous uncertainties. Completion of clinical trials may take several years or more, and the length of time generally varies substantially according to the type, complexity, novelty and intended use of a drug candidate. It is not unusual for the clinical development of these types of drug candidates to each take five years or more, and for total development costs to exceed \$100 million for each drug candidate. We estimate that clinical trials of the type we generally conduct are typically completed over the following timelines:

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Clinical Phase	Estimated Completion Period
Phase 1	1 - 2 Years
Phase 2	1 - 5 Years
Phase 3	1 - 5 Years

The duration and the cost of clinical trials may vary significantly over the life of a project as a result of differences arising during the clinical trial protocol, including, among others, the following:

- the number of patients that ultimately participate in the trial;
- the duration of patient follow-up that seems appropriate in view of results;
- the number of clinical sites included in the trials;
- the length of time required to enroll suitable patient subjects; and
- the efficacy and safety profile of the drug candidate.

We test potential drug candidates in numerous preclinical studies for safety, toxicology and immunogenicity. We may then conduct multiple clinical trials for each drug candidate. As we obtain results from trials, we may elect to discontinue or delay clinical trials for certain drug candidates in order to focus our resources on more promising drug candidates.

An element of our business strategy is to pursue the discovery, research and development of a broad portfolio of drug candidates. This is intended to allow us to diversify the risks associated with our research and development expenditures. To the extent we are unable to maintain a broad range of drug candidates, our dependence on the success of one or a few drug candidates increases.

Regulatory approval is required before we can market our drug candidates as therapeutic products. In order to proceed to subsequent clinical trial stages and to ultimately achieve regulatory approval, the regulatory agency must conclude that our clinical data demonstrate that our product candidates are safe and effective. Historically, the results from preclinical testing and early clinical trials (through Phase 2) have often not been predictive of results obtained in later clinical trials. A number of new drugs and biologics have shown promising results in early clinical trials but subsequently failed to establish sufficient safety and efficacy data to obtain necessary regulatory approvals.

Furthermore, our business strategy includes the option of entering into collaborative arrangements with third parties to complete the development and commercialization of our drug candidates. In the event that third parties take over the clinical trial process for one of our drug candidates, the estimated completion date would largely be under control of that third party rather than us. We cannot forecast with any degree of certainty which proprietary products, if any, will be subject to future collaborative arrangements, in whole or in part, and how such arrangements would affect our development plan or capital requirements. Our programs may also benefit from subsidies, grants, contracts or government or agency-sponsored studies that could reduce our development costs.

As a result of the uncertainties discussed above, among others, it is difficult to accurately estimate the duration and completion costs of our research and development projects or when, if ever, and to what extent we will receive cash inflows from the commercialization and sale of a product. Our inability to complete our research and development projects in a timely manner or our failure to enter into collaborative agreements, when appropriate, could significantly increase our capital requirements and could adversely impact our liquidity. These uncertainties could force us to seek additional, external sources of financing from time to time in order to continue with our business strategy. Our inability to raise additional capital, or to do so on terms reasonably acceptable to us, would jeopardize the future success of our business.

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During the past five years through December 31, 2018, we incurred an aggregate of \$469.9 million in research and development expenses. The following table indicates the amount incurred for each of our significant research programs and for other identified research and development activities during the three months ended March 31, 2019 and 2018. The amounts disclosed in the following table reflect direct research and development costs, license fees associated with the underlying technology and an allocation of indirect research and development costs to each program.

	Three Months Ended March 31, 2019	Three Months Ended March 31, 2018
	(In thousands)	
CDX-1140	\$ 1,573	\$ 932
CDX-3379	1,161	678
CDX-301	365	525
Varlilumab	1,174	2,510
Anti-KIT Program	1,143	1,686
TAM Program	1,336	1,692
CDX-527	1,082	—
Other Programs	3,317	13,852
Total R&D Expense	\$ 11,151	\$ 21,875

Clinical Development Programs

CDX-1140

CDX-1140 is a fully human agonist monoclonal antibody targeted to CD40, a key activator of immune response, which is found on dendritic cells, macrophages and B cells and is also expressed on many cancer cells. Potent CD40 agonist antibodies have shown encouraging results in early clinical studies; however, systemic toxicity associated with broad CD40 activation has limited their dosing. CDX-1140 has unique properties relative to other CD40 agonist antibodies: potent agonist activity is independent of Fc receptor interaction, contributing to more consistent, controlled immune activation; CD40L binding is not blocked, leading to potential synergistic effects of agonist activity near activated T cells in lymph nodes and tumors; and the antibody does not promote cytokine production in whole blood assays. CDX-1140 has shown direct anti-tumor activity in preclinical models of lymphoma. Preclinical studies of CDX-1140 clearly demonstrate strong immune activation effects and low systemic toxicity and support the design of the Phase 1 study to rapidly identify the dose for characterizing single-agent and combination activity.

We initiated a Phase 1 study of CDX-1140 in November 2017. This study is expected to enroll up to approximately 180 patients with recurrent, locally advanced or metastatic solid tumors and B cell lymphomas. The study is designed to determine the maximum tolerated dose, or MTD, during a dose-escalation phase (0.01 to 3.0 mg/kg once every four weeks until confirmed progression or intolerance) and to recommend a dose level for further study in a subsequent expansion phase. The expansion is designed to further evaluate the tolerability and biologic effects of selected dose(s) of CDX-1140 in specific tumor types. Secondary objectives include assessments of safety and tolerability, pharmacodynamics, pharmacokinetics, immunogenicity and additional measures of anti-tumor activity, including clinical benefit rate. We believe that the potential for CDX-1140 will be best defined in combination studies with other immunotherapies or conventional cancer treatments.

In support of this, the Phase 1 study protocol also allows for the exploration of CDX-1140 in combination with CDX-301 at a fixed dose of CDX-301 and escalating doses of CDX-1140. Dendritic cells, which express CD40, are often rare or missing from the tumor microenvironment and are critical for initiating anti-tumor immunity. CDX-301 is being utilized to increase the number of dendritic cells in blood and tissue available for CDX-1140 activation. CDX-1140 should, in turn, activate and mature the dendritic cells, an important step for enhancing anti-tumor immune responses.

Interim data from the Phase 1 study were presented in April 2019 at the American Association for Cancer Research (AACR) Annual Meeting. 30 patients were enrolled in the study at the time of data analysis (n=22 monotherapy; n=8 combination). Six monotherapy dosing cohorts in both solid tumors and non-Hodgkin lymphoma (NHL) (0.01, 0.03, 0.09, 0.18, 0.36 and 0.72 mg/kg) and two combination cohorts in solid tumors (0.09 and 0.18 mg/kg) with CDX-301 were completed. Enrollment to the seventh monotherapy cohort at 1.5 mg/kg and to the third CDX-301 combination cohort at 0.36 mg/kg were ongoing. In general, patients had advanced disease and were heavily pretreated (median number of prior therapies: 4 monotherapy arm; 3.5 combination arm). CDX-1140 was generally well tolerated. A maximum tolerated dose (MTD) had not been reached. Across both arms of the study, there were no high grade (Grade 3 or above) drug-related changes observed in liver function tests or platelets, including at CDX-1140 dose levels which exceed the MTDs reported with other CD40 agonists. The addition of CDX-301 did not affect the tolerability of CDX-1140 at the dose levels tested. Dose dependent biological effects consistent with CD40-mediated immune activation were reported. Higher dose levels achieved circulating antibody concentrations in the range of 20 to 30 micrograms CDX-1140 per milliliter. Transient dose-dependent pharmacodynamic effects were observed including activation of dendritic cells and B cells, along

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with increases in pro-inflammatory cytokines and chemokines in the blood, all of which are consistent with CD40-mediated immune activation and the hypothesis that CDX-1140 is achieving dose levels optimal for systemic exposure. The addition of CDX-301 further enhanced cytokine responses. While not anticipated at low CDX-1140 dose levels, stable disease was observed in this heavily pretreated population.

Continued enrollment is ongoing to define the MTD and select a dose for disease-specific expansion cohorts that will be monitored for clinical activity. Future combination opportunities are also being considered, including with PD-1 or PD-L1 inhibitors, chemotherapy, radiation therapy and Celldex's potent CD27 agonist monoclonal antibody varilumab. Several B cell lymphomas, including diffuse large B-cell lymphoma and follicular lymphoma, also express both CD40 and CD27. Celldex's varilumab is a potent CD27 agonist and has been shown to synergize with CDX-1140 in NHL models. We plan to present updated data from the Phase 1 study at a future medical meeting in 2019.

CDX-3379

CDX-3379 is a human monoclonal antibody with half-life extension designed to block the activity of ErbB3 (HER3). We believe ErbB3 may be an important receptor regulating cancer cell growth and survival as well as resistance to targeted therapies and is expressed in many cancers, including head and neck, thyroid, breast, lung and gastric cancers, as well as melanoma. We believe the proposed mechanism of action for CDX-3379 sets it apart from other drugs in development in this class due to its ability to block both ligand-independent and ligand-dependent ErbB3 signaling by binding to a unique epitope. It has a favorable pharmacologic profile, including a longer half-life and slower clearance relative to other drug candidates in this class. We believe CDX-3379 also has potential to enhance anti-tumor activity and/or overcome resistance in combination with other targeted and cytotoxic therapies to directly kill tumor cells. Tumor cell death and the ensuing release of new tumor antigens has the potential to serve as a focus for combination therapy with immunoncology approaches, even in refractory patients. CDX-3379 has been evaluated in three Phase 1 studies for the treatment of multiple solid tumors that express ErbB3 and is currently being evaluated in a Phase 2 study in combination with Erbitux in Erbitux-resistant, advanced head and neck squamous cell carcinoma.

A Phase 1a/1b study of CDX-3379 was conducted in solid tumors. The study included a single-agent, dose-escalation portion and combination expansion cohorts. The single-agent, dose-escalation portion of the study did not identify an MTD, and there were no dose limiting toxicities. Four combination arms across multiple tumor types were added to evaluate CDX-3379 with several drugs that target EGFR, HER2 or BRAF. They include combinations with Erbitux® (n=16), Tarceva® (n=8), Zelboraf® (n=9) and Herceptin® (n=10). Patients had advanced disease and were generally heavily pretreated. Across the combination arms, the most frequent adverse events were diarrhea, nausea, rash and fatigue. Objective responses were observed in the Erbitux and Zelboraf combination arms. In the Erbitux arm, there was one durable complete response in a patient with head and neck cancer, who had been previously treated with Erbitux and was refractory. In the Zelboraf arm, there were two partial responses in patients who had lung cancer, one of whom had been previously treated with Tafenlar® and was considered refractory, as well as an unconfirmed partial response in a patient with thyroid cancer. Initial data were presented at the 2016 American Society of Clinical Oncology (ASCO) Annual Meeting.

In April 2018, results from a window-of-opportunity study evaluating the effect of CDX-3379 on potential biomarkers in patients with head and neck squamous cell carcinoma (HNSCC) were presented at the American Association for Cancer Research (AACR) Annual Meeting. The study enrolled 12 patients with newly diagnosed HNSCC who received two doses of CDX-3379, at a two-week interval prior to tumor resection. CDX-3379 reduced phosphorylated ErbB3 (pErbB3) levels in 83% (10/12) of patient samples, with greater than or equal to 50% decreases in 58% of patients (7/12), which met the primary study objective. Stable disease was observed in 92% (11/12) of patients prior to surgery, and a patient with HPV-negative disease experienced significant tumor shrinkage (92% in primary tumor; 26% in metastatic lesion). CDX-3379 was well-tolerated, and no treatment-related adverse events were observed.

Preclinical data from the combination of CDX-3379 and Erbitux in xenograft models of head and neck squamous cell carcinoma were also presented at the AACR Annual Meeting in April 2018. Combining CDX-3379 and Erbitux inhibited tumor growth more potently than Erbitux alone. Mechanistic studies demonstrated a reduction of PD-L1 expression from the combination.

We have initiated an open-label Phase 2 study in combination with Erbitux in approximately 30 patients with human papillomavirus (HPV) negative, Erbitux-resistant, advanced head and neck squamous cell carcinoma who have previously been treated with an anti-PD1 checkpoint inhibitor, a population with limited options and a particularly poor prognosis. We opened the study to enrollment in November 2017. The study employs a Simon two-stage design with an interim futility analysis following enrollment of the first 13 patients. According to the study's two-stage design, if at least one patient achieves an objective response in the first stage, enrollment may progress to the second stage. Enrollment to the first stage of the Phase 2 study (n=13) is complete. While a confirmed complete response has been documented, Celldex will conduct a comprehensive review, including the full data set, before making decisions on future development, as patients are still undergoing treatment and are eligible for evaluation. The primary objective of the study is objective response rate. Secondary objectives include assessments of clinical benefit response (CBR), duration of response (DOR), progression-free survival (PFS) and overall survival (OS), and safety and pharmacokinetics associated

with the combination. We plan to present updated data from the study at the 2019 ASCO Annual Meeting in June. CDX-3379 is also being studied in an investigator-sponsored study.

Varlilumab

Varlilumab is a fully human agonist monoclonal antibody that binds to and activates CD27, a critical co-stimulatory molecule in the immune activation cascade. We believe varlilumab works primarily by stimulating T cells, an important component of a person's immune system, to attack cancer cells. Restricted expression and regulation of CD27 enables varlilumab specifically to activate T cells, resulting in an enhanced immune response with the potential for a favorable safety profile. In preclinical studies, varlilumab has been shown to directly kill or inhibit the growth of CD27 expressing lymphomas and leukemias in *in vitro* and *in vivo* models. Varlilumab was initially studied as a single-agent to establish a safety profile and assess immunologic and clinical activity in patients with cancer, but we believe the greatest opportunity for varlilumab is as an immune activator in combination with other agents.

Single-Agent Phase 1 Study: In an open-label Phase 1 study of varlilumab in patients with selected malignant solid tumors or hematologic cancers, varlilumab demonstrated an acceptable safety profile and induced immunologic activity in patients that is consistent with both its proposed mechanism of action and data in preclinical models. A total of 90 patients received varlilumab in the study at multiple clinical sites in the U.S. In both the solid tumor and hematologic dose escalations, the pre-specified maximum dose level (10 mg/kg) was reached without identification of an MTD. The majority of adverse events, or AEs, related to treatment were mild to moderate (Grade 1/2) in severity, and no significant immune-mediated adverse events typically associated with checkpoint blockade were observed. Durable, multi-year clinical benefit was demonstrated in select patients without additional anti-cancer therapy. Final results from the study in patients with solid tumors were published in the *Journal of Clinical Oncology* in April 2017.

Phase 1/2 Varlilumab/Opdivo Combination Study: In 2014, we entered into a clinical trial collaboration with Bristol-Myers Squibb, or BMS, to evaluate the safety, tolerability and preliminary efficacy of varlilumab and Opdivo, BMS's PD-1 immune checkpoint inhibitor, in a Phase 1/2 study. The Phase 1 portion of the study was initiated in January 2015 and conducted in adult patients with multiple solid tumors to assess the safety and tolerability of varlilumab at varying doses when administered with Opdivo. It was followed by a Phase 2 expansion to evaluate the activity of the combination in disease specific cohorts. Enrollment to the Phase 2 portion of the study was completed in January 2018 with cohorts in colorectal cancer (n=21), ovarian cancer (n=58), head and neck squamous cell carcinoma SCCHN (n=24), renal cell carcinoma (RCC) (n=14) and glioblastoma (GBM) (n=22). The primary objective of the Phase 2 cohorts was objective response rate, or ORR, except glioblastoma, where the primary objective was the rate of 12-month OS.

The combination of varlilumab and nivolumab was generally well tolerated across indications at all varlilumab dose levels/schedules tested. Clinical data from patients with "cold" tumors with low expectation of response to checkpoint inhibition monotherapy suggested potential benefit from the combination. Uniquely in the ovarian cancer cohort, increased PD-L1 and CD8 TIL were observed in ~60% of patients with paired biopsy samples. Patients with increase in PD-L1 and CD8 TIL had good clinical outcome and higher doses of varlilumab trended towards better activity than lower/less frequent dosing. In recurrent GBM, results in the subgroup (n=16) with unmethylated MGMT appeared promising with 2 (14%) partial responses noted and a median overall survival of 12.5 months. Among colorectal cancer patients, durable clinical responses were observed in a patient with MSI-high tumor and one with a high mutational burden. In SCCHN, in the subgroup (n=9) with PD-L1 negative disease, one partial response was observed (13%) and a median OS of 11 months was reported. Given the changing treatment paradigm in RCC, only fourteen patients were treated in the study; 39% of these patients experienced stable disease.

Future development of varlilumab is focused on inclusion in internal combination studies, including potentially in the ongoing Phase 1 trial of CDX-1140, and several external investigator-initiated studies.

CDX-301

CDX-301, a recombinant FMS-like tyrosine kinase 3 ligand, or Flt3L, is a hematopoietic cytokine that uniquely expands dendritic cells and hematopoietic stem cells, and in combination with other agents may potentiate anti-tumor responses. Depending on the setting, cells expanded by CDX-301 promote either enhanced or permissive immunity. We believe CDX-301 may hold significant opportunity for synergistic development in combination with other proprietary molecules in our portfolio, as well as with approved or investigational therapies for the treatment of cancer.

A Phase 1 study of CDX-301 evaluated seven different dosing regimens of CDX-301 to determine the appropriate dose for further development based on safety, tolerability and biological activity. The data from the study were consistent with previous clinical experience and demonstrated that CDX-301 has an acceptable safety profile to date and can mobilize dendritic cell and hematopoietic stem cell populations in healthy volunteers. The study was published in the journal *Bone Marrow Transplantation* in 2015.

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CDX-301 is being used as a priming agent to potentially increase the number of cells available to respond to CDX-1140 in the ongoing Phase 1 trial of CDX-1140. CDX-301 is also in clinical development for multiple cancers in ongoing investigator-sponsored and collaborative studies, including in combination with treatments that release tumor antigens, such as radiation therapy.

CRITICAL ACCOUNTING POLICIES

See Note 2 to the unaudited condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q for information regarding newly adopted and recent accounting pronouncements. See also Note 2 to our financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2018 for a discussion of our critical accounting policies. There have been no material changes to such critical accounting policies except for the adoption of the updated lease accounting standard on January 1, 2019. We believe our most critical accounting policies include accounting for business combinations, revenue recognition, intangible and long-lived assets, research and development expenses and stock-based compensation expense.

RESULTS OF OPERATIONS

Three Months Ended March 31, 2019 Compared with Three Months Ended March 31, 2018

	Three Months Ended March 31,		Increase/ (Decrease) \$	Increase/ (Decrease) %
	2019	2018		
(In thousands)				
Revenues:				
Product Development and Licensing Agreements	\$ 129	\$ 992	\$ (863)	(87)%
Contracts and Grants	1,296	3,076	(1,780)	(58)%
Total Revenue	<u>\$ 1,425</u>	<u>\$ 4,068</u>	<u>\$ (2,643)</u>	<u>(65)%</u>
Operating Expenses:				
Research and Development	11,151	21,875	(10,724)	(49)%
General and Administrative	4,896	5,593	(697)	(12)%
Goodwill Impairment	—	90,976	(90,976)	(100)%
Intangible Asset Impairment	—	18,677	(18,677)	(100)%
Other Asset Impairment	1,800	—	1,800	n/a
Loss/(Gain) on Fair Value Remeasurement of Contingent Consideration	1,519	(13,600)	15,119	111%
Amortization of Acquired Intangible Assets	—	224	(224)	(100)%
Total Operating Expense	<u>19,366</u>	<u>123,745</u>	<u>(104,379)</u>	<u>(84)%</u>
Operating Loss	(17,941)	(119,677)	(101,736)	(85)%
Investment and Other Income, Net	702	780	(78)	(10)%
Net Loss Before Income Tax Benefit	(17,239)	(118,897)	(101,658)	(86)%
Income Tax Benefit	—	765	(765)	(100)%
Net Loss	<u>\$ (17,239)</u>	<u>\$ (118,132)</u>	<u>\$ (100,893)</u>	<u>(85)%</u>

Net Loss

The \$100.9 million decrease in net loss for the three months ended March 31, 2019, as compared to the three months ended March 31, 2018, was primarily the result of a decrease in non-cash goodwill and intangible asset impairment expense and a decrease in research and development expenses, partially offset by the increase in loss on fair value remeasurement of contingent consideration.

Revenue

The \$0.9 million decrease in product development and licensing agreements revenue for the three months ended March 31, 2019, as compared to the three months ended March 31, 2018, was primarily due to a decrease in revenue related to our BMS agreement. The \$1.8 million decrease in contracts and grants revenue for the three months ended March 31, 2019, as compared to the three months ended March 31, 2018, was primarily related to a decrease in services performed under our contract manufacturing and research and development agreement with the International AIDS Vaccine Initiative.

[Table of Contents](#)*Research and Development Expense*

Research and development expenses consist primarily of (i) personnel expenses, (ii) laboratory supply expenses relating to the development of our technology, (iii) facility expenses and (iv) product development expenses associated with our drug candidates as follows:

	Three Months Ended March 31		Increase/ (Decrease)	
	2019	2018	\$	%
	(In thousands)			
Personnel	\$ 5,753	\$ 9,057	\$ (3,304)	(36)%
Laboratory Supplies	796	1,257	(461)	(37)%
Facility	1,897	2,063	(166)	(8)%
Product Development	1,695	7,349	(5,654)	(77)%

Personnel expenses primarily include salary, benefits, stock-based compensation and payroll taxes. The \$3.3 million decrease in personnel expenses for the three months ended March 31, 2019, as compared to the three months ended March 31, 2018, was primarily due to a decrease in headcount and stock-based compensation expense. We expect personnel expenses to remain relatively consistent over the next twelve months, although there may be fluctuations on a quarterly basis.

Laboratory supplies expenses include laboratory materials and supplies, services, and other related expenses incurred in the development of our technology. The \$0.5 million decrease in laboratory supply expenses for the three months ended March 31, 2019, as compared to the three months ended March 31, 2018, was primarily due to lower laboratory materials and supplies purchases. We expect laboratory supplies expenses to remain relatively consistent over the next twelve months, although there may be fluctuations on a quarterly basis.

Facility expenses include depreciation, amortization, utilities, rent, maintenance and other related expenses incurred at our facilities. The \$0.2 million decrease in facility expenses for the three months ended March 31, 2019, as compared to the three months ended March 31, 2018, was primarily due to lower depreciation expense. We expect facility expenses to decrease over the next twelve months as a result of the reduction in leased space in our Hampton, New Jersey facility.

Product development expenses include clinical investigator site fees, external trial monitoring costs, data accumulation costs, contracted research and outside clinical drug product manufacturing. The \$5.7 million decrease in product development expenses for the three months ended March 31, 2019, as compared to the three months ended March 31, 2018, was primarily due to a decrease in clinical trial expenses of \$3.3 million and a decrease in contract manufacturing expenses of \$2.1 million. We expect product development expenses to remain relatively consistent over the next twelve months, although there may be fluctuations on a quarterly basis.

General and Administrative Expense

The \$0.7 million decrease in general and administrative expenses for the three months ended March 31, 2019, as compared to the three months ended March 31, 2018, was primarily due to a decrease in headcount and lower commercial planning costs. We expect general and administrative expenses to remain relatively consistent over the next twelve months, although there may be fluctuations on a quarterly basis.

Other Asset Impairment

We concluded that the Company's investment in an undisclosed private company was impaired as a result of a deterioration in the private company's financial condition and recorded a non-cash impairment charge of \$1.8 million during the three months ended March 31, 2019.

Gain on Fair Value Remeasurement of Contingent Consideration

The \$1.5 million loss on fair value remeasurement of contingent consideration for the three months ended March 31, 2019 was primarily due to changes in discount rates and the passage of time. The \$13.6 million gain on fair value remeasurement of contingent consideration for the three months ended March 31, 2018 was primarily due to updated assumptions for Glemba-related milestones as a result of the METRIC failure and discontinuation of the Glemba program.

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Investment and Other Income, Net

The \$0.1 million decrease in investment and other income, net for the three months ended March 31, 2019, as compared to the three months ended March 31, 2018, was primarily due to lower other income related to our sale of New Jersey tax benefits. We anticipate investment income to decrease over the next twelve months due to lower levels of cash and investment balances.

LIQUIDITY AND CAPITAL RESOURCES

Our cash equivalents are highly liquid investments with a maturity of three months or less at the date of purchase and consist primarily of investments in money market mutual funds with commercial banks and financial institutions. We maintain cash balances with financial institutions in excess of insured limits. We do not anticipate any losses with respect to such cash balances. We invest our excess cash balances in marketable securities, including municipal bond securities, U.S. government agency securities and high-grade corporate bonds that meet high credit quality standards, as specified in our investment policy. Our investment policy seeks to manage these assets to achieve our goals of preserving principal and maintaining adequate liquidity.

The use of our cash flows for operations has primarily consisted of salaries and wages for our employees; facility and facility-related costs for our offices, laboratories and manufacturing facility; fees paid in connection with preclinical studies, clinical studies, contract manufacturing, laboratory supplies and services; and consulting, legal and other professional fees. To date, the primary sources of cash flows from operations have been payments received from our collaborative partners and from government entities and payments received for contract manufacturing and research and development services provided by us. The timing of any new contract manufacturing and research and development agreements, collaboration agreements, government contracts or grants and any payments under these agreements, contracts or grants cannot be easily predicted and may vary significantly from quarter to quarter.

At March 31, 2019, our principal sources of liquidity consisted of cash, cash equivalents and marketable securities of \$85.1 million. We have had recurring losses and incurred a loss of \$17.2 million for the three months ended March 31, 2019. Net cash used in operations for the three months ended March 31, 2019 was \$13.2 million. We believe that the cash, cash equivalents and marketable securities at March 31, 2019, combined with the anticipated proceeds from future sales of our common stock under the Cantor agreement, are sufficient to meet estimated working capital requirements and fund planned operations through 2020, although there is no assurance that future sales under the Cantor agreement will occur. This could be impacted if we elected to pay Kolltan contingent milestones, if any, in cash.

During the next twelve months, we will take further steps to raise additional capital to meet our liquidity needs. Our capital raising activities may include, but may not be limited to, one or more of the following: the licensing of drug candidates with existing or new collaborative partners, possible business combinations, issuance of debt, or the issuance of common stock or other securities via private placements or public offerings. While we may seek capital through a number of means, there can be no assurance that additional financing will be available on acceptable terms, if at all, and our negotiating position in capital-raising efforts may worsen as existing resources are used. There is also no assurance that we will be able to enter into further collaborative relationships. Additional equity financings may be dilutive to our stockholders; debt financing, if available, may involve significant cash payment obligations and covenants that restrict our ability to operate as a business; and licensing or strategic collaborations may result in royalties or other terms which reduce our economic potential from products under development. Our ability to continue funding our planned operations into and beyond twelve months from the issuance date is also dependent on the timing and manner of payment of future contingent milestones from the Kolltan acquisition, in the event that we achieve the drug candidate milestones related to those payments. We may decide to pay those milestone payments in cash, shares of our common stock or a combination thereof. If we are unable to raise the funds necessary to meet our liquidity needs, we may have to delay or discontinue the development of one or more programs, discontinue or delay ongoing or anticipated clinical trials, license out programs earlier than expected, raise funds at a significant discount or on other unfavorable terms, if at all, or sell all or a part of our business.

Operating Activities

Net cash used in operating activities was \$13.2 million for the three months ended March 31, 2019 as compared to \$28.0 million for the three months ended March 31, 2018. The decrease in net cash used in operating activities was primarily due to decreases in both general and administrative and research and development expenses. We expect that cash used in operating activities will remain relatively consistent over the next twelve months, although there may be fluctuations on a quarterly basis.

We have incurred and will continue to incur significant costs in the area of research and development, including preclinical studies and clinical trials, as our drug candidates are developed. We plan to spend significant amounts to progress our current drug candidates through the clinical trial and commercialization process as well as to develop additional drug candidates. As our drug candidates progress through the clinical trial process, we may be obligated to make significant milestone payments.

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Investing Activities

Net cash provided by investing activities was \$16.3 million for the three months ended March 31, 2019 as compared to \$15.5 million for the three months ended March 31, 2018. The increase in net cash provided by investing activities was primarily due to net sales and maturities of marketable securities for the three months ended March 31, 2019 of \$16.5 million as compared to \$15.8 million for the three months ended March 31, 2018.

Financing Activities

Net cash provided by financing activities was \$4.2 million for the three months ended March 31, 2019 as compared to \$12.1 million for the three months ended March 31, 2018. Net proceeds from stock issuances pursuant to employee benefit plans were \$0.0 million during the three months ended March 31, 2019 as compared to \$0.4 million for the three months ended March 31, 2018.

In May 2016, we entered into an agreement with Cantor Fitzgerald & Co. (“Cantor”) to allow us to issue and sell shares of our common stock having an aggregate offering price of up to \$60.0 million from time to time through Cantor, acting as agent. In November 2017, we filed a prospectus supplement registering the offer and sale of shares of common stock of up to an additional \$75.0 million under the agreement with Cantor. During the three months ended March 31, 2019, we issued 883,569 shares of common stock under this controlled equity offering sales agreement with Cantor resulting in net proceeds of \$4.2 million after deducting commission and offering expenses. At March 31, 2019, we had \$33.3 million remaining in aggregate gross offering price available under the Cantor agreement. In April 2019, we issued 924,167 shares of its common stock resulting in net proceeds to us of \$4.1 million.

Aggregate Contractual Obligations

Except as set forth below, the disclosures relating to our contractual obligations reported in our Annual Report on Form 10-K for the year ended December 31, 2018 which was filed with the SEC on March 7, 2019 have not materially changed since we filed that report.

In March 2019, the Company amended its Hampton, New Jersey lease to eliminate 16,200 square feet of space and extend the remaining 33,400 square feet of space for an additional five-year term with an early termination option after three years.

OFF-BALANCE SHEET ARRANGEMENTS

We did not have during the periods presented, and we do not currently have, any off-balance sheet arrangements, as defined under SEC rules.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

We own financial instruments that are sensitive to market risk as part of our investment portfolio. Our investment portfolio is used to preserve our capital until it is used to fund operations, including our research and development activities. None of these market-risk sensitive instruments are held for trading purposes. We invest our cash primarily in money market mutual funds. These investments are evaluated quarterly to determine the fair value of the portfolio. From time to time, we invest our excess cash balances in marketable securities including municipal bond securities, U.S. government agency securities and high-grade corporate bonds that meet high credit quality standards, as specified in our investment policy. Our investment policy seeks to manage these assets to achieve our goals of preserving principal and maintaining adequate liquidity. Because of the short-term nature of these investments, we do not believe we have material exposure due to market risk. The impact to our financial position and results of operations from likely changes in interest rates is not material.

We do not utilize derivative financial instruments. The carrying amounts reflected in the consolidated balance sheet of cash and cash equivalents, accounts receivables and accounts payable approximate fair value at March 31, 2019 due to the short-term maturities of these instruments.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures.

As of March 31, 2019, we evaluated, with the participation of our Chief Executive Officer and Chief Financial Officer, the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”)). Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective at the reasonable assurance level as of March 31, 2019. Our disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within time periods specified by the SEC’s rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting.

There were no changes in our internal control over financial reporting during the quarter ended March 31, 2019 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II — OTHER INFORMATION

Item 1A. Risk Factors

In addition to the other information set forth in this report, you should carefully consider the factors discussed in Part I, “Item 1A. Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2018, which could materially affect our business, financial condition or future results. The risks described in our Annual Report on Form 10-K may not be the only risks facing the Company. Additional risks and uncertainties not currently known to the Company or that the Company currently deems to be immaterial also may materially adversely affect the Company’s business, financial condition and/or operating results.

There were no material changes to the risk factors previously disclosed in our Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 7, 2019.

Item 6. Exhibits

The exhibits filed as part of this quarterly report on Form 10-Q are listed in the exhibit index included herewith and are incorporated by reference herein.

EXHIBIT INDEX

Exhibit No.	Description
*10.1	Second Amendment to Lease Agreement between the Company and Crown Perryville, LLC dated as of March 8, 2019.
*31.1	Certification of President and Chief Executive Officer
*31.2	Certification of Senior Vice President and Chief Financial Officer
**32.1	Section 1350 Certifications
*101	XBRL Instance Document.
*101	XBRL Taxonomy Extension Schema Document.
*101	XBRL Taxonomy Extension Calculation Linkbase Document.
*101	XBRL Taxonomy Extension Definition Linkbase Document.
*101	XBRL Taxonomy Extension Label Linkbase Document.
*101	XBRL Taxonomy Extension Presentation Linkbase Document.

* Filed herewith.
** Furnished herewith.

SIGNATURES

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

CELLEX THERAPEUTICS, INC.

BY:

/s/ ANTHONY S. MARUCCI

Anthony S. Marucci
President and Chief Executive Officer
(Principal Executive Officer)

Dated: May 7, 2019

/s/ SAM MARTIN

Sam Martin
Senior Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)

Dated: May 7, 2019

SECOND AMENDMENT OF LEASE

THIS SECOND AMENDMENT OF LEASE, dated as of March 8, 2019, between **PERRYVILLE SPE LLC** (“Landlord”), and **CELLDEX THERAPEUTICS, INC.** (“Tenant”).

WITNESSETH:

WHEREAS, Landlord’s predecessor-in-interest, Crown Perryville, LLC., and Tenant entered into that certain Lease dated as of May 1, 2013 (the “Original Lease”), covering approximately 3,539 rentable square feet located on a portion of the first (1st) floor and approximately 29,824 rentable square feet located on a portion of the second (2nd) floor (the “Original Premises”) in the building known as Perryville III at Perryville Corporate Park located at 53 Frontage Road, Hampton, New Jersey 08827 (the “Building”), as amended by a First Amendment of Lease, dated as of June 17, 2015 (the “First Amendment”) pursuant to which among other matters, Tenant leased additional premises located on a portion of the first (1st) floor of the Building containing approximately 16,262 rentable square feet (the “Second Premises”) (the Original Lease, as amended by the First Amendment is hereinafter collectively referred to as the “Lease”); and

WHEREAS, Tenant desires to extend the term of the Lease, and to surrender the “Second Premises” in accordance with the terms and conditions set forth herein, so that the Premises under the Lease shall consist only of the Original Premises on the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the mutual premises and agreements herein contained, the parties hereby agree as follows:

1. **Incorporation of Recitals.** The recitals set forth above are incorporated herein by reference.
 2. **Defined Terms.** All terms used herein not otherwise defined shall have the meanings ascribed to them in the Lease.
 3. **Binding Effect.** This Second Amendment of Lease (“Amendment”) shall be binding upon Landlord and Tenant upon the mutual execution and delivery hereof.
 4. **New Extension Term.** The Lease is hereby extended (the “New Extension Term”) commencing on August 1, 2020 (the “New Extension Term Commencement Date”) and ending on July 31, 2025 (which shall be the new “Expiration Date” of the Lease).
 5. **Surrender of the Second Premises.** Landlord and Tenant hereby irrevocably agree that, effective at midnight on March 31, 2019 (the “Second Premises Surrender Date”), the Second Premises shall be
-

surrendered to Landlord vacant and in broom-clean condition, free of all personal property and trade fixtures (except for the "Assets" being transferred by Tenant to Landlord pursuant to Section 7 below), with the intent and purpose of Tenant's surrendering all of its right, title and interest therein of any kind or nature whatsoever under the Lease. The Second Premises shall be surrendered by Tenant free of liens or encumbrances created by Tenant, and free of subtenants, occupants, or other rights or interests of third-parties created by Tenant of any kind or nature in, upon, or against the Second Premises. Tenant shall comply with all applicable lease provisions as to the payment of all Base Rent and additional rent to Landlord through the Second Premises Surrender Date. In the event that for any reason whatsoever Tenant continues to occupy any portion of the Second Premises after the Second Premises Surrender Date, which occupancy may include, by way of example but not limitation, any personal property at all continuing to be found anywhere in the Second Premises, then in addition to any and all remedies Landlord may have under the Lease in connection therewith, the terms of the Lease shall continue to apply to the Second Premises, and Tenant shall be responsible for the payment of holdover rent for the Second Premises in accordance with the terms of Section 2.6 of the Original Lease, until such time as Tenant vacates and surrenders the Second Premises to Landlord in accordance with the terms of the Lease and this Amendment, upon which the Premises shall then consist of the Original Premises only for all purposes and intents under the Lease.

6. **Second Premises Surrender Fee.** In consideration for Landlord's acceptance of Tenant's surrender of the Second Premises on the Second Premises Surrender Date, Tenant shall within thirty (30) days of mutual execution and delivery hereof deliver an irrevocable payment to Landlord by bank or certified check in the amount of \$188,557.89, TIME BEING OF THE ESSENCE IN CONNECTION THEREWITH.
7. **Rental Payments During the Sixteen Month Period.** The Lease is hereby amended to provide that in place and stead of Tenant's separate payment of Base Rent, electricity charges, operating expenses and taxes otherwise due and payable pursuant to Section 3.1 and Section 3.2 of the Original Lease, commencing on Second Premises Surrender Date and continuing for a sixteen (16) month period through July 31, 2020 (the "Sixteen Month Period"), Tenant shall instead make a monthly aggregate payment to Landlord in the amount of \$46,282.48 (i.e., with no further Annual Rental Adjustment or additional Electrical Inclusion Amount), which shall be due on the first day of each calendar month during the Sixteen Month Period, subject, however, to late charges pursuant to the terms of Section 3.5 of the Original Lease.
8. **Parking.** As of the Second Premises Surrender Date, Section 19.22 of the Original Lease, as amended, shall be replaced in its entirety by the paragraph set forth below, and Exhibit G shall be deleted:

“Landlord shall provide to Tenant, at Tenant’s sole cost and expense, with the following: (a) four (4) unreserved parking spaces for every 1,000 square feet leased in the Building’s parking facility, (b) ten (10) reserved parking spaces near the side entrance to the Building, (c) three (3) to four (4) parking spaces outside of the first floor mechanical room, and (d) four (4) reserved parking spaces located in the front of the Building, as more particularly shown on Exhibit G hereto, subject to approval from the local township.”

9. **Bill of Sale.** Tenant as “Seller” shall grant, sell, assign and convey to Landlord as “Buyer” those certain “Assets” set forth on the Bill of Sale attached hereto as **Exhibit A** and being executed and delivered simultaneously herewith, which sale shall be effective as of the Second Premises Surrender Date.

10. **Lease Amendments.** Effective as of the New Extension Term Commencement Date, the Lease is hereby amended as follows:

A. **Base Rent.** Exhibit E to the Original Lease is hereby deleted in its entirety and replaced with the new Exhibit E set forth below. Commencing on the New Extension Term Commencement Date and continuing through and including the Expiration Date, the Base Rent for the Premises shall be payable by Tenant to Landlord on the first day of each month in accordance with the terms and conditions of Section 3.1 of the Original Lease.

Period	Base Rent Per Square Foot	Annual Base Rent	Monthly Base Rent
August 1, 2020-July 31, 2021	\$ 15.00	\$ 500,445.00	\$ 41,703.75
August 1, 2021-July 31, 2022	\$ 15.50	\$ 517,126.50	\$ 43,093.88
August 1, 2022-July 31, 2023	\$ 16.00	\$ 533,808.00	\$ 44,484.00
August 1, 2023-July 31, 2024	\$ 16.50	\$ 550,489.50	\$ 45,874.13
August 1, 2024-July 31, 2025	\$ 17.00	\$ 567,171.00	\$ 47,264.25

B. **Annual Rental Adjustment.** As of the New Extension Term Commencement Date and continuing through and including the Expiration Date, and for purposes of calculating the Annual Rental Adjustment for the Premises in accordance with Section 3.2 of the Original Lease, the Building Expense Percentage shall have the meaning as defined in Section 1.2(C) of the Original Lease, i.e., 11.92%.

C. **Base Year.** As of the New Extension Term Commencement Date and continuing through and including the Expiration Date, Article 3.2 of the Original Lease shall be

amended to provide that the "Base Year" set forth in Article 3.2A(4) shall mean the calendar year 2020 and not the calendar year 2014.

- D. **Electrical Inclusion Amount.** Commencing on the New Extension Term Commencement Date and continuing through and including the Expiration Date, Section 3.3 of the Original Lease is hereby amended to provide that Tenant shall be obligated to pay to Landlord, as Additional Rent, the Electrical Inclusion Amount for the Premises in the amount of \$33,509.04 per annum (i.e., 19,148 rsf X \$1.75), payable in equal monthly installments of \$2,792.42, pursuant to Section 3.3 of the Original Lease, and subject to survey and increases based upon Tenant's consumption and/or increases in utility costs. Notwithstanding the foregoing, Electricity charges pursuant to Section 3.4 of the Original Lease shall remain unmodified.

11. **Early Termination Option.**

A. Provided that each and every one of the terms and conditions set forth below are fully satisfied, Tenant shall have the one-time option (the "Early Termination Option") to terminate the Lease, effective as of July 31, 2023 (the "Early Termination Date"):

- (i) Tenant shall have made timely rent payments hereunder from the date hereof through the Early Termination Date;
- (ii) Tenant shall then give Landlord a written notice of Tenant's irrevocable election to exercise the Early Termination Option (the "Early Termination Notice"), which Early Termination Notice shall be given not later than November 1, 2022;
- (iii) Tenant shall not be in default under any of the terms, covenants and conditions of the Lease to be observed and performed after the expiration of applicable notice and grace periods either on the date that Tenant exercises the Early Termination Option or on the Early Termination Date; and
- (iv) Tenant pays to Landlord concurrently with delivery of the Early Termination Notice, a lease termination fee (the "Fee") in an amount equal to five (5) months of: (a) all Base Rent; and (b) all other payments due pursuant to Sections 3.2 and 3.3 of the Original Lease, calculated based upon the aggregate monthly payment to be made by Tenant for the month of July 2023, as confirmed by Landlord, multiplied by five (5), payable by check or wire.

B. If Tenant timely and properly exercises the Early Termination Option, (i) all rent payable under the Lease shall be paid through and apportioned as of the Early Termination Date; (ii) neither party shall have any rights, estates, liabilities, or obligations under the Lease for the period accruing after the Early Termination Date, except those which, by the provisions of the Lease, expressly survive the expiration or termination of the term of the Lease; (iii) Tenant shall surrender and vacate the entire Premises and deliver possession thereof to Landlord on or before the Early Termination Date in the condition required under the Lease for its surrender; and (iv) Landlord and Tenant shall enter into a written agreement reflecting the termination of the Lease upon the terms provided for herein, which agreement shall be executed within thirty (30) days after Tenant's delivery of the Early Termination Notice. Tenant's failure to comply with any of the above terms, shall render the Early Termination Option and any Early Termination Notice void and of no force and effect.

C. The Early Termination Option shall automatically terminate and become null and void upon the earlier to occur of: (i) the termination of Tenant's right to possession of the Premises; (ii) the assignment by Tenant of the Lease, in whole or in part; (iii) the failure of Tenant to timely or properly exercise the Early Termination Option, or any failure by Tenant to comply with the terms of this Section.

12. **"As-Is"**. Tenant is accepting and shall accept the Premises in "as-is, where-is" condition on the New Extension Term Commencement Date, and Landlord will perform no work or alterations whatsoever arising out of or in connection herewith.

13. **Brokerage**. Tenant represents and warrants to Landlord that Tenant has not dealt with any broker or finder in connection with this Amendment except for The Garibaldi Group, LLC and Beker Realty Group, Inc. relating to the New Extension Term (the "Brokers"). Landlord will be paying the Brokers only for the first three (3) years of the New Extension Term only, and will only pay the Brokers for the last two (2) years of the New Extension Term, in the event that Tenant does not exercise the Early Termination Option set forth in Section 6 above. Tenant agrees to indemnify and hold Landlord harmless from and against any claims, costs, expenses (including court costs and reasonable legal fees) and other liabilities incurred by Landlord by reason of any claim or action for a commission or other compensation by any other broker or finder with respect to the Lease and this Amendment other than the Brokers named herein and being paid by Landlord in accordance with the terms of this Section. Landlord shall have no liability for any brokerage commissions arising out of a sublease or assignment

by Tenant. The provisions of this Section shall survive the expiration or sooner termination of the Lease.

14. **Miscellaneous.**

- A. Except as expressly amended hereby, all of the terms, covenants, conditions and provisions of the Lease shall remain and continue unmodified, in full force and effect.
- B. This Amendment sets forth the entire agreement between the parties regarding the subject matter hereof, superseding all prior agreements and understandings, written and oral, and may not be altered or modified except by a writing signed by both parties.
- C. Landlord and Tenant each represent and warrant to the other that it has not relied upon any representation or warranty, express or implied, in entering into this Amendment, except those which are set forth herein.
- D. The covenants and agreements herein contained shall bind and inure to the benefit of Landlord, its successors and assigns, and Tenant, its successors and assigns. If any of the provisions of this Amendment, or its application to any situation, shall be invalid or unenforceable to any extent, the remainder of this Amendment, or the application thereof to situations other than that as to which it is invalid or unenforceable, shall not be affected thereby, and every provision of this Amendment shall be valid and enforceable to the fullest extent permitted by law.
- E. The captions of this Amendment are for convenience and reference only and in no way define, limit or describe the scope or intent of this Amendment.
- F. Submission by Landlord of the within Amendment for execution by Tenant shall confer no rights nor impose any obligation on Landlord unless and until both Landlord and Tenant shall have executed this Amendment and duplicate originals thereof shall have been delivered by Landlord and Tenant to each other.
- G. This Amendment may be signed in two identical counterparts, and both of such counterparts, when taken together, will be deemed to constitute the original of this Amendment. This Amendment may be executed and delivered via electronic facsimile transmission or as a “.pdf” attachment to an e-mail with the same force and effect as if it were executed and delivered by the parties simultaneously in the presence of one another.

IN WITNESS WHEREOF, the parties have executed this Second Amendment of Lease as of the date hereinabove set forth.

PERRYVILLE SPE LLC

By: /s/ BERNARD S. BERTRAM
Authorized Signatory

CELLDEX THERAPEUTICS, INC.

By: /s/ ANTHONY S. MARUCCI
Name: Anthony S. Marucci
Title: President and Chief Executive Officer

CERTIFICATION

I, Anthony S. Marucci, certify that:

1. I have reviewed this report on Form 10-Q of Celldex Therapeutics, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 7, 2019

By: /s/ ANTHONY S. MARUCCI
Name: Anthony S. Marucci
Title: President and Chief Executive Officer

CERTIFICATION

I, Sam Martin, certify that:

1. I have reviewed this report on Form 10-Q of Celldex Therapeutics, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 7, 2019

By: /s/ SAM MARTIN

Name: Sam Martin

Title: Senior Vice President and Chief Financial Officer

SECTION 1350 CERTIFICATIONS

Pursuant to 18 U.S.C. §1350 as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, the undersigned officers of Celldex Therapeutics, Inc. (the "Company") hereby certify that to their knowledge and in their respective capacities that the Company's quarterly report on Form 10-Q to which this certification is attached (the "Report"), fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 7, 2019

By: /s/ ANTHONY S. MARUCCI
Name: Anthony S. Marucci
Title: President and Chief Executive Officer

Date: May 7, 2019

By: /s/ SAM MARTIN
Name: Sam Martin
Title: Senior Vice President and Chief Financial Officer

This certification shall not be deemed "filed" for any purpose, nor shall it be deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Exchange Act. A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Celldex Therapeutics, Inc. and will be retained by Celldex Therapeutics, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.
