Evoke Pharma Inc
Form 10-Q
November 12, 2015

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

OR

TRANSITION REPORT UNDER SECTION 13 OF 15(d) OR THE EXCHANGE ACT OF 1934
Commission File Number 001-36075

EVOKE PHARMA, INC.

(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation)	20-8447886 (IRS Employer Identification No.)
505 Lomas Santa Fe Drive, Suite 270, Solana Beach, CA (Address of principal executive offices)	92075 (Zip Code)

Registrant’s telephone number, including area code: (858) 345-1494

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

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

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

Large accelerated filer ¨ Accelerated filer ¨

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

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 October 31, 2015, the registrant had 7,147,852 shares of Common Stock outstanding.

Evoke pharma, inc.

Form 10-Q

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

Evoke Pharma, Inc.

Condensed Balance Sheets

	September 30, 2015 (Unaudited)	December 31, 2014
Assets		
Current Assets:		
Cash and cash equivalents	$ 10,738,817	$ 14,155,809
Prepaid expenses	935,866	931,461
Other current assets	—	137,812
Total current assets	11,674,683	15,225,082
Other assets	7,997	7,997
Total assets	$ 11,682,680	$ 15,233,079
Liabilities and stockholders' equity		
Current Liabilities:		
Accounts payable and accrued expenses	$ 1,337,570	$ 1,011,629
Accrued compensation	665,548	697,245
Other current liabilities	3,086	12,313
Current portion of long-term debt	—	126,806
Total current liabilities	2,006,204	1,847,993
Long-term debt, net of current portion	4,368,749	4,196,422
Total liabilities	6,374,953	6,044,415
Stockholders' equity:		
Common stock, $0.0001 par value; authorized shares — 50,000,000;		
issued and outstanding shares — 7,085,504 and 6,112,091		
at September 30, 2015 and December 31, 2014, respectively	709	611
Additional paid-in capital	50,743,478	45,127,202
Accumulated deficit	(45,436,460)	(35,939,149)
Total stockholders' equity	5,307,727	9,188,664
Total liabilities and stockholders' equity	$ 11,682,680	$ 15,233,079

See accompanying notes to these unaudited condensed financial statements.

Evoke Pharma, Inc.

Condensed Statements of Operations

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Operating expenses:				
Research and development	$1,837,743	$3,088,373	$6,445,842	$7,815,466
General and administrative	819,703	732,800	2,821,382	2,420,167
Total operating expenses	2,657,446	3,821,173	9,267,224	10,235,633
Loss from operations	(2,657,446)	(3,821,173)	(9,267,224)	(10,235,633)
Other income (expense):				
Interest income	470	1,725	3,121	8,995
Interest expense	(78,424)	(5,906)	(233,208)	(101,240)
Total other expense	(77,954)	(4,181)	(230,087)	(92,245)
Net loss	$(2,735,400)	$(3,825,354)	$(9,497,311)	$(10,327,878)
Net loss per common share, basic and diluted	$(0.42)	$(0.63)	$(1.51)	$(1.71)
Weighted-average shares used to compute basic and diluted net loss per share	6,494,845	6,054,250	6,271,002	6,028,309

See accompanying notes to these unaudited condensed financial statements.

Evoke Pharma, Inc.

Condensed Statements of Cash Flows

(Unaudited)

	Nine Months Ended September 30,	
	2015	2014
Operating activities		
Net loss	$(9,497,311)	$(10,327,878)
Adjustments to reconcile net loss to net cash used in operating activities:		
Stock-based compensation expense	1,127,813	792,481
Non-cash interest	45,521	54,076
Deferred rent expense	(9,227)	7,884
Change in operating assets and liabilities:		
Prepaid expenses and other assets	(4,405)	(349,915)
Accounts payable and accrued expenses	294,244	843,153
Net cash used in operating activities	(8,043,365)	(8,980,199)
Financing activities		
Payment on bank line of credit	—	(3,000,000)
Costs paid in connection with loan origination	—	(82,685)
Proceeds from issuance of common stock	4,626,373	42,875
Net cash provided by (used in) financing activities	4,626,373	(3,039,810)
Net increase (decrease) in cash and cash equivalents	(3,416,992)	(12,020,009)
Cash and cash equivalents at beginning of period	14,155,809	24,196,691
Cash and cash equivalents at end of period	$10,738,817	$12,176,682
Supplemental disclosure of cash flow information		
Interest paid	$167,750	$58,790

See accompanying notes to these unaudited condensed financial statements.

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Evoke Pharma, Inc.

Notes to Condensed Financial Statements

(Unaudited)

1. Organization and Basis of Presentation

Evoke Pharma, Inc. (the "Company") was incorporated in the state of Delaware on January 29, 2007. The Company is a publicly-held specialty pharmaceutical company focused primarily on the development of drugs to treat gastroenterological disorders and disease.

Since its inception, the Company has devoted substantially all of its efforts to product development, raising capital and building infrastructure, and has not realized revenues from its planned principal operations. The Company does not anticipate realizing revenues for the foreseeable future. The Company's activities are subject to significant risks and uncertainties, including funding its operations beyond the completion of its ongoing Phase 3 clinical trial for EVK-001.

The Company expects to continue to incur net losses for at least the next several years. Over that period, the Company will need to raise additional debt or equity financing to fund its development. If the Company is not able to secure adequate additional funding, the Company may be forced to make reductions in spending, extend payment terms with suppliers, and/or suspend or curtail planned programs. Any of these actions could materially harm the Company's business, results of operations, financial condition and future prospects.

2. Summary of Significant Accounting Policies

The accompanying condensed balance sheet as of December 31, 2014, which has been derived from audited financial statements, and the unaudited interim condensed financial statements, have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP") and follow the requirements of the U.S. Securities and Exchange Commission ("SEC") for interim reporting. As permitted under those rules, certain footnotes or other financial information that are normally required by GAAP can be condensed or omitted. In management's opinion, the unaudited interim financial statements have been prepared on the same basis as the audited financial statements and include all adjustments, which include only normal recurring adjustments, necessary for the fair presentation of the Company's financial position and its results of operations and its cash flows for the periods presented. These statements do not include all disclosures required by GAAP and should be read in conjunction with the Company's financial statements and accompanying notes for the fiscal year ended December 31, 2014, which are contained in the Company's Annual Report on Form 10-K filed with the SEC on March 4, 2015. In its report on the Company's financial statements for the year ended December 31, 2014, the Company's independent registered public accounting firm included an explanatory paragraph expressing substantial doubt regarding the Company's ability to continue as a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The results for interim periods are not necessarily indicative of the results expected for the full fiscal year or any other interim period.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities

at the date of the financial statements and the reported amounts of expenses during the reporting period. Actual results could differ materially from those estimates.

Stock-Based Compensation

Stock-based compensation expense for stock option grants and employee stock purchases under the Company's Employee Stock Purchase Plan (the "ESPP") is recorded at the estimated fair value of the award as of the grant date and is recognized as expense on a straight-line basis over the employee's requisite service period. The estimation of stock option and ESPP fair value requires management to make estimates and judgments about, among other things, employee exercise behavior, forfeiture rates and volatility of the Company's common stock. The judgments directly affect the amount of compensation expense that will be recognized.

Prior to the Company's initial public offering ("IPO") in September 2013, the Company granted stock options to purchase common stock to employees with exercise prices equal to the estimated fair value of the underlying stock, as determined by the board of directors on the date the equity award was granted. The board of directors determined the fair value of the underlying common stock by considering a number of factors, including historical and projected financial results, the risks the Company faced at the time, the preferences of the Company's preferred stockholders and the lack of liquidity of the Company's common stock. Subsequent to the IPO, the exercise price of the stock options granted to employees and members of the board of directors of the Company was determined by the Company's closing market price on the date the stock options were granted.

The risk-free interest rate assumption was based on the yield of an applicable rate for U.S. Treasury instruments with maturities similar to those of the expected term of the award being valued. The weighted average expected term of options and employee stock purchases was calculated using the simplified method as prescribed by accounting guidance for stock-based compensation. This decision was based on the lack of relevant historical data due to the Company's limited historical experience. In addition, due to the Company's limited historical data, the estimated volatility was calculated based upon the Company's historical volatility, supplemented as necessary with historical volatility of comparable companies in the biotechnology industry whose share prices are publicly available for a sufficient period of time. The assumed dividend yield was based on the Company never paying cash dividends and having no expectation of paying cash dividends in the foreseeable future.

Research and Development Expenses

Research and development costs are expensed as incurred and primarily include compensation and related benefits, stock-based compensation expense and costs paid to third-party contractors to perform research, conduct clinical trials and develop drug materials and delivery devices. The Company expenses costs relating to the purchase and production of pre-approval inventories as research and development expense in the period incurred until U.S. Food and Drug Administration ("FDA") approval is received.

The Company bases its expense accruals related to clinical studies on estimates of the services received and efforts expended pursuant to contracts with multiple research institutions and contract research organizations ("CROs") that conduct and manage clinical studies on its behalf. The financial terms of these agreements vary from contract to contract and may result in uneven payment flows. Payments under some of these contracts depend on factors, such as the successful enrollment of patients, site initiation and the completion of clinical study milestones. Service providers typically invoice the Company monthly in arrears for services performed. In accruing service fees, the Company estimates the time period over which services will be performed and the level of effort to be expended in each period. If the Company does not identify costs that have begun to be incurred, or if the Company underestimates or overestimates the level of services performed or the costs of these services, actual expenses could differ materially from estimates. To date, the Company has not experienced significant changes in estimates of accrued research and development expenses after a reporting period. However, due to the nature of estimates, no assurance can be made that changes to the estimates will not be made in the future as the Company becomes aware of additional information about the status or conduct of clinical studies and other research activities.

Included in research and development expenses were costs of $58,933 and $121,422 for the three months ended September 30, 2015 and 2014, respectively, and $217,977 and $149,696 for the nine months ended September 30, 2015 and 2014, respectively, incurred by a related party of one of the Company's officers who serves on the executive management team of a CRO that provides clinical trial services to the Company.

The Company does not own or operate manufacturing facilities for the production of EVK-001, nor does it plan to develop its own manufacturing operations in the foreseeable future. The Company currently depends on third-party contract manufacturers for all of its required raw materials, drug substance and finished product for its preclinical research and clinical trials. The Company does not have any current contractual relationships for the manufacture of commercial supplies of EVK-001. If EVK-001 is approved by any regulatory agency, the Company intends to enter into agreements with third-party contract manufacturers for the commercial production at that time. The Company currently utilizes a third-party consultant, which it engages on an as-needed, hourly basis, to manage its manufacturing contractors.

Net Loss Per Share

Basic net loss per share is calculated by dividing the net loss by the weighted-average number of common shares outstanding for the period, without consideration for common stock equivalents and adjusted for the weighted-average number of common shares outstanding that are subject to repurchase. The Company has excluded 45,000 and 49,375 weighted-average shares subject to repurchase from the weighted-average number of common shares outstanding for the three months ended September 30, 2015 and 2014, respectively. In addition, the Company has excluded 45,000 and 71,875 weighted-average shares subject to repurchase from the weighted-average number of common shares outstanding for the nine months ended September 30, 2015 and 2014, respectively. Diluted net loss per share is calculated by dividing the net loss by the weighted-average number of common share equivalents outstanding for the period determined using the treasury-stock method. In addition to the shares subject to repurchase, dilutive common stock equivalents are comprised of warrants for the purchase of common stock, options outstanding under the Company's equity incentive plans and potential shares to be purchased under the ESPP. For the periods presented, there is no difference in the number of shares used to calculate basic and diluted shares outstanding due to the Company's net loss position.

The following table sets forth the outstanding potentially dilutive securities that have been excluded from the calculation of diluted net loss per share because to do so would be anti-dilutive:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Common stock subject to repurchase	45,000	49,375	45,000	71,875
Warrants to purchase common stock	118,881	96,000	118,881	96,000
Common stock options	1,037,500	683,500	1,037,500	683,500
Employee stock purchase plan	5,706	3,161	5,706	3,161
Total excluded securities	1,207,087	832,036	1,207,087	854,536

Recent Accounting Pronouncements

In April 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update 2015-03, Interest – Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs. This guidance requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the debt liability, consistent with the presentation of a debt discount. The guidance becomes effective for financial statements issued for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years, with an option for early adoption. The Company chose to early adopt this standard during the quarter ended June 30, 2015 as it simplifies the presentation of the Company's financial statements. ASU 2015-03 requires a retroactive method of adoption, and therefore, the Company has reclassified $23,624 from other current assets to current portion of long-term debt and $45,026 from other assets to long-term debt, net of current portion as of December 31, 2014. The adoption of ASU 2015-03 had no impact on the Statements of Operations or Cash Flows.

During the quarter ended September 30, 2015, there were no new accounting pronouncements or updates to recently issued accounting pronouncements disclosed in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2014 that affect the Company's results of operations, financial condition, liquidity or disclosures.

3. Debt

In June 2012, the Company entered into a $3.0 million loan and security agreement with Silicon Valley Bank ("SVB"), collateralized by the Company's personal property. The agreement also contained non-financial covenants. By January 2013, the Company had been advanced the entire $3.0 million. Interest on advances under the agreement was at a fixed interest rate equal to 4.50%. Advances under the loan and security agreement had an interest-only period through December 31, 2013, and had a 24-month payback period that commenced in January 2014. Through May 1, 2014, the Company repaid approximately $603,000 of principal on the SVB loan. On May 23, 2014, the Company repaid the remaining outstanding principal and accrued interest of approximately $2.4 million to SVB. In addition, the Company expensed approximately $38,000 of unamortized debt discount costs upon the repayment of the loan. With such payoff, the SVB loan agreement and the documents entered into in connection therewith were deemed to be terminated. SVB's security interest in substantially all of the Company's assets was also terminated.

On May 28, 2014 (the "closing date"), the Company entered into a $4.5 million loan and security agreement (the "credit facility") with Square 1 Bank ("Square 1"), pursuant to which Square 1 agreed to make term loans available to the Company for general corporate and working capital purposes and for capital expenditures.

In December 2014, the Company drew down the entire $4.5 million. The credit facility bears interest at a fixed annual rate of 5.50%. As a result of an amendment to the credit facility effected on October 5, 2015, the interest-only

payment period was extended through November 28, 2016. The outstanding principal balance plus interest will begin amortizing at the end of the interest-only period, with monthly payments of principal and interest being made by the Company to Square 1 in consecutive monthly installments following November 28, 2016 until the credit facility matures on November 28, 2018. Due to the modification of the repayment terms, and in accordance with FASB Accounting Standards Codification ("ASC") 470, Debt, the entire amount of the credit facility has been reclassified to long-term debt at September 30, 2015. At the Company's option, it may prepay the outstanding principal balance of the credit facility before November 28, 2018 without penalty or premium.

The credit facility includes affirmative and negative covenants applicable to the Company and any subsidiaries it creates in the future. The affirmative covenants include, among others, covenants requiring the Company to maintain its legal existence and governmental approvals, deliver certain financial reports, maintain insurance coverage and meet certain covenants with respect to enrollment and

results of its EVK-001 Phase 3 trial. In September 2015, the Company announced that it had met a patient enrollment covenant requiring enrollment of 75% of the projected total Phase 3 trial enrollment. After the Company receives positive results (which must be achieved on or prior to March 1, 2016) from the Phase 3 trial, if at all, it must either maintain a ratio of its cash at Square 1 to its cash burn over the preceding month of at least 3.00 to 1.00, or it must deliver evidence of a forthcoming financing or strategic partnership arrangement to Square 1, in each case in an amount satisfactory to Square 1. The negative covenants include, among others, restrictions on the Company transferring collateral, incurring additional indebtedness, engaging in mergers or acquisitions, paying dividends or making other distributions, making investments, creating liens and selling assets, in each case subject to certain exceptions.

The credit facility also includes events of default, the occurrence and continuation of which provide Square 1 with the right to exercise remedies against the Company and the collateral securing the term loans under the credit facility, including foreclosure against the Company's properties securing the credit facilities, including its cash. These events of default include, among other things, the Company's failure to pay any amounts due under the credit facility, a breach of covenants under the credit facility, the Company's insolvency, a material adverse change, the occurrence of any default under certain other indebtedness in an amount greater than $400,000 and a final judgment against the Company in an amount greater than $400,000.

In connection with the funding of the term loan, the Company issued to Square 1 a warrant to purchase 22,881 shares of the Company's common stock at an exercise price of $5.90 per share, the closing price of the Company's common stock on the day of funding of the credit facility. The warrant expires on December 31, 2024. If the warrant has not been exercised prior to its expiration date, it will be deemed to automatically convert by "cashless" conversion. In the event that the Company is acquired, the warrant will be exercisable or deemed automatically converted, which shall be determined based upon whether the Company's successor assumes the obligations of the warrant.

The estimated fair value of the warrant issued to Square 1 was determined on the date of issuance using the Black-Scholes option-pricing valuation model with the following assumptions:

Risk free interest rate	2.17%
Expected warrant term	10 Years
Expected volatility of common stock	77.19%
Expected dividend yield	0.00%

The value determined for the warrant of $108,122 has been recorded as a debt discount, as well as to stockholders' equity. The debt discount is being amortized to interest expense over the remaining term of the credit facility.

The Company incurred $82,685 of loan origination costs related to this credit facility. Such costs are being amortized to interest expense over the remaining term of the credit facility.

4. Technology Acquisition Agreement

In June 2007, the Company acquired all worldwide rights, data, patents and other related assets associated with EVK-001 from Questcor Pharmaceuticals, Inc. ("Questcor") pursuant to an Asset Purchase Agreement. The Company paid Questcor $650,000 in the form of an upfront payment and $500,000 in May 2014 as a milestone payment based upon the initiation of the first patient dosing in the Company's Phase 3 clinical trial for EVK-001. In August 2014, Mallinckrodt, plc ("Mallinckrodt") acquired Questcor. As a result of that acquisition, Questcor transferred its rights included in the Asset Purchase Agreement with the Company to Mallinckrodt. In addition to the payments made to Questcor, the Company may also be required to make additional milestone payments totaling up to $51.5 million.

These milestones include up to $4.5 million in payments if EVK-001 achieves the following development targets:

- $1.5 million upon the FDA's acceptance for review of a new drug application for EVK-001; and
- $3.0 million upon the FDA's approval of EVK-001.

The remaining $47.0 million in milestone payments depend on EVK-001's commercial success and will only apply if EVK-001 receives regulatory approval. In addition, the Company will be required to pay to Mallinckrodt a low single digit royalty on net sales of EVK-001. The Company's obligation to pay such royalties will terminate upon the expiration of the last patent right covering EVK-001, which is expected to occur in 2030.

5. Stockholders' Equity

On November 13, 2014, the Company entered into an At Market Sales Agreement ("Sales Agreement") with MLV & Co. LLC ("MLV"), pursuant to which the Company may sell from time to time, at its option, up to an aggregate of $6.6 million worth of shares of common stock through MLV as sales agent. The sales of shares of the Company's common stock made through this equity program are made in "at-the-market" offerings as defined in Rule 415 of the Securities Act of 1933, as amended. During the nine months ended September 30, 2015, the Company sold 932,237 shares of common stock at a weighted average price per share of $4.93 pursuant to the Sales Agreement and received proceeds of approximately $4.5 million, net of commissions and fees. During October 2015, the Company sold an additional 62,348 shares of common stock at a weighted average price per share of $3.62 pursuant to the Sales Agreement and received proceeds of approximately $219,000, net of commissions and fees. The Company incurred approximately $138,000 of legal, accounting and filing fees related to its Registration Statement on Form S-3 filed in November 2014. Such costs were capitalized and included in other current assets at December 31, 2014, and were reclassified to additional paid-in capital during the first quarter of 2015 as a further offset to the net proceeds. The Company intends to use the net proceeds to continue to fund its ongoing Phase 3 clinical trial and for general corporate purposes.

Future sales will depend on a variety of factors including, but not limited to, market conditions, the trading price of the Company's common stock and the Company's capital needs. Although sales of the Company's common stock have taken place pursuant to the Sales Agreement, there can be no assurance that MLV will be successful in consummating future sales based on prevailing market conditions or in the quantities or at the prices that the Company deems appropriate. Under current SEC regulations, at any time during which the aggregate market value of the Company's common stock held by non-affiliates, or public float, is less than $75 million, the amount the Company can raise through primary public offerings of securities in any twelve-month period using shelf registration statements, including sales under the Sales Agreement, is limited to an aggregate of one-third of the Company's public float. As of October 31, 2015, the Company's public float was 4.0 million shares, the value of which was $17.6 million based upon the closing price of the Company's common stock of $4.35 on October 9, 2015. The value of one-third of the Company's public float calculated on the same basis was $5.8 million. As of October 31, 2015, the Company has the capacity to issue up to approximately $1.0 million worth of additional shares of common stock pursuant to the Sales Agreement.

In addition, the Company will not be able to make future sales of common stock pursuant to the Sales Agreement unless certain conditions are met, which include the accuracy of representations and warranties made to MLV under the Sales Agreement. Furthermore, MLV is permitted to terminate the Sales Agreement in its sole discretion upon ten days' notice, or at any time in certain circumstances, including the occurrence of an event that would be reasonably likely to have a material adverse effect on the Company's assets, business, operations, earnings, properties, condition (financial or otherwise), prospects, stockholders' equity or results of operations. The Company has no obligation to sell the remaining shares available for sale pursuant to the Sales Agreement.

As a result of payroll withholdings from the Company's employees of approximately $170,000, the Company also sold 41,176 shares of common stock through its ESPP during the nine months ended September 30, 2015.

Stock-Based Compensation

Stock-based compensation expense includes charges related to stock option grants and employee stock purchases under the ESPP. The Company measures stock-based compensation expense based on the grant date fair value of any awards granted to its employees. Such expense is recognized over the period of time that employees provide service and earn rights to the awards.

The estimated fair value of each stock option award granted was determined on the date of grant using the Black-Scholes option-pricing valuation model with the following weighted-average assumptions for option grants during the nine months ended September 30, 2015 and 2014 (no stock options were granted during the three months ended September 30, 2015 and 2014):

	Nine Months Ended September 30,	
	2015	2014
Common Stock Options		
Risk free interest rate	1.50% - 1.87%	1.66% - 1.77%
Expected option term	5.5 - 6.0 years	5.5 - 6.0 years
Expected volatility of common stock	71.99% - 76.74%	71.06% - 73.21%
Expected dividend yield	0.0%	0.0%

The estimated fair value of each ESPP award was determined on the date of grant using the Black-Scholes option-pricing valuation model with the following weighted-average assumptions for option grants during the three and nine months ended September 30, 2015 and 2014.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Employee Stock Purchase Plan				
Risk free interest rate	0.26%	0.05%	0.08% - 0.26%	0.05 - 0.08%
Expected option term	6 months	6 months	6 months	6 months
Expected volatility of common stock	69.64%	69.32%	62.91% - 69.64%	69.32 - 73.21%
Expected dividend yield	0.0%	0.0%	0.0%	0.0%

The Company recognized non-cash stock-based compensation expense to employees and directors in its research and development and its general and administrative functions as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Research and development	$144,719	$105,145	$433,252	$302,569
General and administrative	226,956	198,816	694,561	489,912
Total stock-based compensation expense	$371,675	$303,961	$1,127,813	$792,481

As of September 30, 2015, there were approximately $2.7 million of unrecognized compensation costs related to outstanding employee and board of director options, which are expected to be recognized over a weighted average period of 1.22 years.

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

The following discussion and analysis should be read in conjunction with our financial statements and accompanying notes included in this Quarterly Report on Form 10-Q and the financial statements and accompanying notes thereto for the fiscal year ended December 31, 2014 and the related Management's Discussion and Analysis of Financial Condition and Results of Operations, both of which are contained in our Annual Report on Form 10-K filed with the Securities and Exchange Commission, or SEC, on March 4, 2015. Past operating results are not necessarily indicative of results that may occur in future periods.

Forward-Looking Statements

This Quarterly Report on Form 10-Q contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act. All statements other than statements of historical facts contained in this Quarterly Report on Form 10-Q, including statements regarding our future results of operations and financial position, business strategy, prospective products, product approvals, research and development costs, timing and likelihood of success, plans and objectives of management for future operations, and future results of current and anticipated products are forward-looking statements. These statements involve known and unknown risks, uncertainties and other important factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statement. In some cases, you can identify forward-looking statements by terms such as "may," "will," "should," "expect," "plan," "anticipate," "could," "intend, "project," "contemplates," "believes," "estimates," "predicts," "potential" or "continue" or the negative of these terms or other expressions. Although we believe the expectations reflected in these forward-looking statements are reasonable, such statements are inherently subject to risk and we can give no assurances that our expectations will prove to be correct. Given these risks, uncertainties and other factors, you should not place undue reliance on these forward-looking statements, which speak only as of the date of this Quarterly Report on Form 10-Q. You should read this Quarterly Report on Form 10-Q completely. As a result of many factors, including without limitation those set forth under "Risk Factors" under Item 1A of Part II below, and elsewhere in this Quarterly Report on Form 10-Q, our actual results may differ materially from those anticipated in these forward-looking statements. Except as required by applicable law, we undertake no obligation to update these forward-looking statements to reflect events or circumstances after the date of this report or to reflect actual outcomes. For all forward-looking statements, we claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995.

Unless the context requires otherwise, references in this Quarterly Report on Form 10-Q to "Evoke," "we," "us" and "our" refer to Evoke Pharma, Inc.

Overview

We are a specialty pharmaceutical company focused primarily on the development of drugs to treat gastrointestinal, or GI, disorders and diseases. We are developing EVK-001, a metoclopramide nasal spray for the relief of symptoms associated with acute and recurrent diabetic gastroparesis in women. Diabetic gastroparesis is a GI disorder afflicting millions of sufferers worldwide in which the stomach takes too long to empty its contents resulting in serious digestive system symptoms. Metoclopramide is the only product currently approved in the United States to treat gastroparesis, and is currently available only in oral and intravenous forms. EVK-001 is a novel formulation of this drug, designed to provide systemic delivery of metoclopramide through intranasal administration.

We have evaluated EVK-001 in a multicenter, randomized, double-blind, placebo-controlled parallel-group, dose-ranging Phase 2b clinical trial in 287 patients with diabetic gastroparesis where EVK-001 was observed to be effective in improving the most prevalent and clinically relevant symptoms associated with gastroparesis in women

while exhibiting a favorable safety profile. In April 2014, we commenced a Phase 3 clinical trial of EVK-001 in female patients with symptoms associated with acute and recurrent diabetic gastroparesis. This Phase 3 clinical trial is a multicenter, randomized, double-blind, placebo-controlled, parallel-group study evaluating the efficacy, safety and population pharmacokinetics of EVK-001 in adult female subjects with diabetic gastroparesis when dosed four times a day for 28 days.

The Phase 3 trial is expected to enroll 200 patients at sites across the United States. While the study is progressing according to plan at many of the clinical trial sites with previous gastroparesis study experience, overall enrollment has been slower than previously anticipated. Although the trial sites have been screening significant numbers of subjects, patients with diabetic gastroparesis typically have symptoms that vary in timing and severity, unpredictable gastric emptying delays, and complex medical histories. We are also facing competition for patients from four ongoing competing clinical trials that were not active when we started our Phase 3 trial. This combination of factors creates a challenge for enrollment into diabetic gastroparesis trials. We project to complete trial enrollment during the first half of 2016. We will need to successfully complete this trial before we are able to submit a new drug application, or NDA, to the U.S. Food and Drug Administration, or FDA, for EVK-001. FDA approval of the NDA is required in order for us to commercially market EVK-001 in the United States.

We commenced a thorough ECG (QT) study in August 2014 and reported positive results in December 2014. A thorough ECG (QT) study is a specialized clinical trial designed to assess whether an investigational medication has the potential to prolong the QT interval. The QT interval represents the amount of time the heart's electrical system takes to repolarize, or recharge, after each beat, and the QTc interval represents the QT interval corrected for differences in heart rate. Prolongation of the QT interval may increase the risk for cardiac arrhythmias. Data from the thorough ECG (QT) study met the pre-specified primary endpoint, demonstrating that EVK-001, at therapeutic and supratherapeutic doses, did not prolong the QT/QTc interval in healthy subjects.

We are also conducting a companion clinical trial with EVK-001 in male patients with symptoms associated with acute and recurrent diabetic gastroparesis to assess the safety and efficacy of EVK-001 in men. The male companion trial was initiated in May 2014 and is designed similarly to the Phase 3 trial in women. This trial was requested by the FDA, but is not required for submission of the EVK-001 NDA for women, however, we expect to include safety data from this trial in the NDA submission.

In April 2015, we announced the completion of production of a commercial scale lot of EVK-001 as required by the FDA. With the completion of this large scale production of EVK-001, we believe we have demonstrated our ability to manufacture EVK-001 at commercial scale quantities in accordance with the FDA standards for chemistry, manufacturing and controls, or CMC. In addition to data from this recent program, we have a three-year registration stability data package from previous studies which have all met proposed specifications. These CMC datasets will be submitted as part of our NDA submission following completion of our ongoing Phase 3 clinical trial and male companion trial.

In July 2015, the FDA published draft guidance intended to assist sponsors in the clinical development of drugs for the treatment of diabetic and idiopathic gastroparesis clinical trials; Gastroparesis: Clinical Evaluation of Drugs for Treatment – Guidance for Industry, or the FDA Guidance. We believe that the FDA Guidance is consistent with the advice the FDA provided to us regarding trial design and study endpoints for our ongoing Phase 3 trials. As a result, our Phase 3 protocol is consistent with the specific recommendations in the FDA Guidance. In addition, the draft guidance explicitly states that there is an urgent medical need for development of drugs with a favorable risk-benefit profile to treat patients with gastroparesis and acknowledges that "patients with diabetic gastroparesis may experience further derangement of glucose control because of unpredictable gastric emptying and altered absorption of orally administered hypoglycemic drugs." We believe these statements from the FDA Guidance support the need for the development of non-oral drugs like EVK-001 to treat the symptoms of this debilitating disease.

In August 2015, we received a letter from the FDA indicating the agency's concurrence with our proposed pediatric study plan for EVK-001. Pursuant to the terms of the letter, the FDA has accepted our EVK-001 pediatric study plan, which included a request for a full waiver of the requirement to conduct pediatric studies on the basis that diabetic gastroparesis is an adult disease. We expect that the pediatric study plan will be included in our NDA submission.

We have no products approved for sale, and we have not generated any revenue from product sales or other arrangements. We have primarily funded our operations through the sale of our convertible preferred stock, borrowings under our loan and security agreements and the sale of shares of our common stock on the NASDAQ Capital Market. We have incurred losses in each year since our inception. Substantially all of our operating losses resulted from expenses incurred in connection with advancing EVK-001 through development activities and general and administrative costs associated with our operations. We expect to continue to incur significant expenses and increasing operating losses for at least the next several years. We may never become profitable, or if we do, we may not be able to sustain profitability on a recurring basis.

As more fully described in Note 3 to the condensed financial statements, on December 31, 2014 we borrowed $4.5 million from Square 1 Bank, or Square 1. In addition, as more fully described in Note 5 to the condensed financial

statements, through October 31, 2015 we sold 994,585 shares of our common stock pursuant to a sales agreement, or the Sales Agreement, we entered into with MLV & Co. LLC, or MLV, and received proceeds of approximately $4.7 million, net of commissions and fees. Under the terms of the Sales Agreement, we may sell up to $6.6 million worth of common stock, but due to SEC regulations we are only able to sell $5.8 million of our common stock as of October 31, 2015, of which, approximately $1.0 million worth of shares of common stock are still available to be sold at October 31, 2015. Though we have such capability, we may not be able to raise additional capital on terms acceptable to us, or at all. Any failure to raise capital as and when needed could have a material adverse effect on our results of operations, financial condition, cash flows and our ability to execute on our business plan. In its report on our financial statements for the year ended December 31, 2014, our independent registered public accounting firm included an explanatory paragraph expressing substantial doubt regarding our ability to continue as a going concern.

Technology Acquisition Agreement

In June 2007, we acquired all worldwide rights, data, patents and other related assets associated with EVK-001 from Questcor Pharmaceuticals, Inc., or Questcor, pursuant to an asset purchase agreement. We paid Questcor $650,000 in the form of an upfront

payment and $500,000 in May 2014 as a milestone payment based upon the initiation of the first patient dosing in our Phase 3 clinical trial for EVK-001. In August 2014, Mallinckrodt, plc acquired Questcor. As a result of that acquisition, Questcor transferred its rights included in the asset purchase agreement with us to Mallinckrodt. In addition to the payments we made to Questcor, we may also be required to make additional milestone payments totaling up to $51.5 million. These milestones include up to $4.5 million in payments if EVK-001 achieves the following development targets:

- $1.5 million upon the FDA's acceptance for review of an NDA for EVK-001; and
- $3.0 million upon the FDA's approval of EVK-001.

The remaining $47.0 million in milestone payments depend on EVK-001's commercial success and will only apply if EVK-001 receives regulatory approval. In addition, we will be required to pay to Mallinckrodt a low single digit royalty on net sales of EVK-001. Our obligation to pay such royalties will terminate upon the expiration of the last patent right covering EVK-001, which is expected to occur in 2030.

Financial Operations Overview

Research and Development Expenses

We expense all research and development expenses as they are incurred. Research and development expenses primarily include:

- clinical trial and regulatory-related costs;
- expenses incurred under agreements with contract research organizations, or CROs, investigative sites and consultants that conduct our clinical trials;
- manufacturing and stability testing costs and related supplies and materials; and
- employee-related expenses, including salaries, benefits, travel and stock-based compensation expense.

All of our research and development expenses to date have been incurred in connection with EVK-001. We expect our research and development expenses to increase for the foreseeable future as we advance EVK-001 through clinical development, including the conduct of our ongoing Phase 3 clinical trial. The process of conducting clinical trials necessary to obtain regulatory approval is costly and time consuming. We are unable to estimate with any certainty the costs we will incur in the continued development of EVK-001. However, we currently estimate that the costs to complete our Phase 3 clinical trial in women and our companion clinical trial in men will be approximately $16.5 million, of which, through September 30, 2015, $12.6 million have been incurred related to those clinical activities. Clinical development timelines, the probability of success and development costs can differ materially from expectations. We may never succeed in achieving marketing approval for our product candidate.

The costs of clinical trials may vary significantly over the life of a project owing to, but not limited to, the following:

- per patient trial costs;
- the number of sites included in the trials;
- the countries in which the trials are conducted;
- the length of time required to enroll eligible patients;
- the number of patients that participate in the trials;
- the number of doses that patients receive;
- the cost of comparative agents used in trials;
- the drop-out or discontinuation rates of patients;
- potential additional safety monitoring or other studies requested by regulatory agencies;
- the duration of patient follow-up; and
- the efficacy and safety profile of the product candidate.

We do not yet know when EVK-001 may be commercially available, if at all.

General and Administrative Expenses

General and administrative expenses consist primarily of salaries and related benefits, including stock-based compensation. Other general and administrative expenses include professional fees for accounting, tax, patent costs, legal services, insurance, facility costs and costs associated with being a publicly-traded company. We expect that general and administrative expenses will increase in the future as we expand our operating activities and incur additional costs associated with being a publicly-traded company and maintaining compliance with exchange listing and SEC requirements. These increases will likely include higher consulting costs, legal fees, accounting fees, directors' and officers' liability insurance premiums and fees associated with investor relations.

Total Other Expense

Total other expense consists primarily of interest expense incurred in our outstanding debt offset by interest income we earn on interest-bearing accounts and money market funds for cash and cash equivalents.

Critical Accounting Policies and Significant Judgments and Estimates

Our management's discussion and analysis of our financial condition and results of operations is based on our financial statements, which we have prepared in accordance with generally accepted accounting principles in the United States, or GAAP. The preparation of these financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported revenues and expenses during the reporting periods. We evaluate these estimates and judgments on an ongoing basis. We base our estimates on historical experience and on various other factors that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Our actual results may differ materially from these estimates under different assumptions or conditions.

There were no significant changes during the nine months ended September 30, 2015 to the critical accounting policies described in "Item 7 – Management's Discussion and Analysis of Financial Condition and Results of Operations – Critical Accounting Policies and Significant Judgments and Estimates" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2014.

Other Information

JOBS Act

On April 5, 2012, the Jumpstart Our Business Startups Act of 2012, or the JOBS Act, was enacted. Section 107 of the JOBS Act provides that an "emerging growth company" can take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act for complying with new or revised accounting standards. In other words, an "emerging growth company" can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. We have irrevocably elected not to avail ourselves of this extended transition period and, as a result, we will adopt new or revised accounting standards on the relevant dates on which adoption of such standards is required for other public companies.

We are in the process of evaluating the benefits of relying on other exemptions and reduced reporting requirements provided by the JOBS Act. Subject to certain conditions set forth in the JOBS Act, as an "emerging growth company," we intend to rely on certain of these exemptions, including without limitation, (i) providing an auditor's attestation report on our system of internal controls over financial reporting pursuant to Section 404(b) of the Sarbanes-Oxley Act and (ii) complying with any requirement that may be adopted by the Public Company Accounting Oversight

Board, regarding mandatory audit firm rotation or a supplement to the auditor's report providing additional information about the audit and the financial statements, known as the auditor discussion and analysis. We will remain an "emerging growth company" until the earliest of (a) the last day of the fiscal year in which we have total annual gross revenues of $1 billion or more, (b) the last day of our fiscal year following the fifth anniversary of the date of the completion of our initial public offering, or IPO, (c) the date on which we have issued more than $1 billion in nonconvertible debt during the previous three years or (d) the date on which we are deemed to be a large accelerated filer under the rules of the SEC.

Results of Operations

Comparison of Three Months Ended September 30, 2015 and 2014

The following table summarizes the results of our operations for the three months ended September 30, 2015 and 2014:

	Three Months Ended September 30,		Increase/
	2015	2014	(Decrease)
Research and development expenses	$1,837,743	$3,088,373	$(1,250,630)
General and administrative expenses	$819,703	$732,800	$86,903
Other expense	$77,954	$4,181	$73,773

Research and Development Expenses. Research and development expenses for the three months ended September 30, 2015 compared to the three months ended September 30, 2014 decreased by approximately $1.3 million due to the timing of the enrollment of patients into our Phase 3 clinical trial between 2014 and 2015, as well as to incurring costs of approximately $987,000 conducting a thorough ECG (QT) study of EVK-001 primarily during the third quarter of 2014. Costs incurred in 2015 include approximately $1.3 million related to our ongoing clinical trials, and approximately $495,000 for wages, taxes and employee insurance, including approximately $145,000 of stock-based compensation expense. Costs incurred in 2014 include approximately $2.6 million related to the clinical trials for EVK-001 and approximately $441,000 for wages, taxes and employee insurance, including approximately $105,000 of stock-based compensation expense.

General and Administrative Expenses. General and administrative expenses for the three months ended September 30, 2015 compared to the three months ended September 30, 2014 increased by approximately $87,000. Costs incurred in 2015 primarily included approximately $424,000 for wages, taxes and employee insurance, including approximately $227,000 of stock-based compensation expense, approximately $302,000 for legal, accounting, directors and officers liability insurance and other costs associated with being a public company and approximately $38,000 for market research activities. Costs incurred in 2014 primarily included approximately $392,000 for wages, taxes and employee insurance, including approximately $199,000 of stock-based compensation expense and approximately $277,000 for legal, accounting, directors and officers liability insurance and other costs associated with being a public company.

Other Expense. Other expense for the three months ended September 30, 2015 primarily related to net interest expense associated with our Square 1 loan.

Comparison of Nine Months Ended September 30, 2015 and 2014

The following table summarizes the results of our operations for the nine months ended September 30, 2015 and 2014:

	Nine Months Ended September 30,		Increase/
	2015	2014	(Decrease)
Research and development expenses	$6,445,842	$7,815,466	$(1,369,624)
General and administrative expenses	$2,821,382	$2,420,167	$401,215
Other expense	$230,087	$92,245	$137,842

Research and Development Expenses. Research and development expenses for the nine months ended September 30, 2015 compared to the nine months ended September 30, 2014 decreased by approximately $1.4 million primarily due

to making a $500,000 payment during May 2014 to Questcor for achieving a milestone associated with the acquisition of our technology and incurring approximately $1.1 million conducting a thorough ECG (QT) study of EVK-001 primarily during the third quarter of 2014. Costs incurred in 2015 include approximately $4.6 million related to our ongoing clinical trials, approximately $238,000 related to stability testing and the completion of the production of a commercial-size batch of EVK-001 and approximately $1.6 million for wages, taxes and employee insurance, including approximately $433,000 of stock-based compensation expense. Costs incurred in 2014 include approximately $5.6 million related to the clinical trials for EVK-001, approximately $311,000 related to stability testing and preparation for the commercial-size production of EVK-001, the payment of $500,000 to Questcor, and approximately $1.4 million for wages, taxes and employee insurance, including approximately $303,000 of stock-based compensation expense.

General and Administrative Expenses. General and administrative expenses for the nine months ended September 30, 2015 compared to the nine months ended September 30, 2014 increased by approximately $401,000. Costs incurred in 2015 primarily included approximately $1.3 million for wages, taxes and employee insurance, including approximately $695,000 of stock-based compensation expense, approximately $1.1 million for legal, accounting, directors and officers liability insurance and other costs associated with being a public company and approximately $187,000 for market research activities. Costs incurred in 2014 primarily included approximately $1.1 million for wages, taxes and employee insurance, including approximately $490,000 of stock-based compensation expense and approximately $1.1 million for legal, accounting, directors and officers liability insurance and other costs associated with being a public company.

Other Expense. Other expense for the nine months ended September 30, 2015 primarily related to net interest expense associated with our Square 1 Bank loan. Other expense for the nine months ended September 30, 2014 primarily related to net interest expense associated with our Silicon Valley Bank, or SVB, loan, which we repaid in May 2014, along with the write-off of approximately $38,000 of unamortized debt discount costs upon the repayment of the SVB loan.

Liquidity and Capital Resources

Since our inception in 2007, we have funded our operations primarily from the sale of equity securities and borrowings under loan and security agreements. Prior to our IPO, we received $17.7 million in net proceeds from the sale of our Series A convertible preferred stock and advances of $5.5 million under the loan and security agreements. During 2013, we completed our IPO and raised approximately $25.1 million, net of offering costs and commissions. We have incurred losses since inception and have negative cash flows from operating activities. As of September 30, 2015, we had approximately $10.7 million in cash and cash equivalents and working capital of approximately $9.7 million.

In June 2012, we entered into a $3.0 million loan and security agreement with SVB collateralized by our personal property and containing only non-financial covenants. By January 2013, we had been advanced the entire $3.0 million to fund working capital. Interest on advances under the agreement was at a fixed interest rate equal to 4.50%. Advances under the loan and security agreement had an interest-only period through December 31, 2013, and had a 24-month payback period that commenced in January 2014. In connection with the loan and security agreement, we issued a warrant to SVB, which is immediately exercisable for an aggregate of 12,000 shares of our common stock, at an exercise price of $7.50 per share. This warrant will expire on June 1, 2022.

Through May 1, 2014, we repaid approximately $603,000 of principal on the SVB loan. On May 23, 2014, we repaid the outstanding principal and accrued interest of approximately $2.4 million to SVB. With such payoff, the loan and security agreement with SVB and the documents entered into in connection therewith were deemed to be terminated. SVB’s security interest in substantially all of our assets was also terminated.

On May 28, 2014, or the closing date, we entered into a $4.5 million loan and security agreement, or the credit facility, with Square 1, pursuant to which Square 1 agreed to make term loans available to us for general corporate and working capital purposes and for capital expenditures.

In December 2014, we drew down the entire $4.5 million. The credit facility bears interest at a fixed annual rate of 5.50%. As a result of an amendment to the credit facility effected on October 5, 2015, the interest-only payment period was extended through November 28, 2016. The outstanding principal balance plus interest will begin amortizing at the end of the interest-only period, with monthly payments of principal and interest being made by us to Square 1 in consecutive monthly installments following November 28, 2016 until the credit facility matures on November 28, 2018. Due to the modification to the repayment terms, the credit facility has been reclassified to

long-term debt at September 30, 2015. At our option, we may prepay the outstanding principal balance of the credit facility before November 28, 2018 without penalty or premium.

The credit facility includes affirmative and negative covenants applicable to us and any subsidiaries we create in the future. The affirmative covenants include, among others, covenants requiring us to maintain our legal existence and governmental approvals, deliver certain financial reports, maintain insurance coverage and meet certain covenants with respect to enrollment and results of our EVK-001 Phase 3 trial. In September 2015, we announced that we had met a patient enrollment covenant requiring enrollment of 75% of the projected total Phase 3 trial enrollment. After we receive positive results from the Phase 3 trial, if at all (which we must achieve on or prior to March 1, 2016), we must either maintain a ratio of our cash at Square 1 to our cash burn over the preceding month of at least 3.00 to 1.00, or we must deliver evidence of a forthcoming financing or strategic partnership arrangement to Square 1, in each case in an amount satisfactory to Square 1. The negative covenants include, among others, restrictions on our transferring collateral, incurring additional indebtedness, engaging in mergers or acquisitions, paying dividends or making other distributions, making investments, creating liens and selling assets, in each case subject to certain exceptions.

The credit facility also includes events of default, the occurrence and continuation of which provide Square 1 with the right to exercise remedies against us and the collateral securing the term loans under the credit facility, including foreclosure against our properties securing the credit facilities, including our cash. These events of default include, among other things, our failure to pay any amounts due under the credit facility, a breach of covenants under the credit facility, our insolvency, a material adverse change, the occurrence of any default under certain other indebtedness in an amount greater than $400,000 and a final judgment against us in an amount greater than $400,000.

In connection with the funding of the term loan, we issued to Square 1 a warrant to purchase 22,881 shares of our common stock at an exercise price of $5.90 per share, the closing price of our common stock on the day of funding of the credit facility. The warrant will expire on December 31, 2024. If the warrant has not been exercised prior to its expiration date, it will be deemed to automatically convert by “cashless” conversion. In the event that we are acquired, the warrant will be exercisable or deemed automatically converted, which shall be determined based upon whether our successor assumes the obligations of the warrant.

We expect to continue to incur significant expenses and increasing operating losses for at least the next several years. In the near-term, we anticipate that our expenses will increase substantially as we:

- continue our clinical trials associated with EVK-001, including our ongoing Phase 3 clinical trial in women and the companion clinical trial in men that we commenced in April 2014;
- continue the preparation of the commercial manufacturing process;
- maintain, expand and protect our intellectual property portfolio; and
- continue to fund the additional accounting, legal, insurance and other costs associated with being a public company.

Although our current cash and cash equivalents are expected to be sufficient to fund our operations through October 31, 2016, they will not be sufficient to complete any additional development requirements requested by the FDA, or, if applicable, to prepare for commercialization of EVK-001 should we receive product approval. At this time, due to the risks inherent in the drug development process, we are unable to estimate with any certainty the costs we will incur in the continued development of EVK-001 for potential commercialization. However, we currently estimate the costs to complete our Phase 3 clinical trial in women and our companion clinical trial in men of EVK-001 will be approximately $16.5 million, of which, through September 30, 2015, $12.6 million have been incurred related to those clinical activities. Accordingly, we will continue to require substantial additional capital beyond our current cash and cash equivalents to continue our clinical development and potential commercialization activities. The amount and timing of our future funding requirements will depend on many factors, including the pace and results of our clinical development efforts. We anticipate that we will seek to fund our operations through public or private equity or debt financings or other sources, such as potential collaboration arrangements. Our failure to raise capital as and when needed would have a negative impact on our financial condition, results of operations, cash flows and our ability to pursue our business strategies.

On November 13, 2014, we entered into the Sales Agreement with MLV, pursuant to which we may sell from time to time, at our option, up to an aggregate of $6.6 million worth of shares of common stock through MLV, as sales agent. The sales of shares of our common stock made through this equity program are made in “at-the-market” offerings as defined in Rule 415 of the Securities Act. Through October 31, 2015, we have sold 994,585 shares of common stock at a weighted average price per share of $4.85 pursuant to the Sales Agreement and received proceeds of approximately $4.7 million, net of commissions and fees. We incurred approximately $138,000 of legal, accounting and filing fees related to our Form S-3 filed in November 2014. Such costs were capitalized and included in other current assets at December 31, 2014, and have been reclassified to additional paid-in capital as a further offset to the net proceeds. We intend to use the net proceeds to continue to fund our ongoing Phase 3 clinical trial and for general corporate purposes.

Future sales will depend on a variety of factors including, but not limited to, market conditions, the trading price of our common stock and our capital needs. Although sales of our common stock have taken place pursuant to the Sales Agreement, there can be no assurance that MLV will be successful in consummating future sales based on prevailing market conditions or in the quantities or at the prices that we deem appropriate. Under current SEC regulations, at any time during which the aggregate market value of our common stock held by non-affiliates, or public float, is less than $75 million, the amount we can raise through primary public offerings of securities in any twelve-month period using shelf registration statements, including sales under the Sales Agreement, is limited to an aggregate of one-third of our public float. As of October 31, 2015, our public float was 4.0 million shares, the value of which was $17.6 million based upon the closing price of our common stock of $4.35 on October 9, 2015. The value of one-third of our public float calculated on the same basis was $5.8 million. As of October 31, 2015, we have the capacity to issue up to approximately $1.0 million worth of additional shares of common stock pursuant to the Sales Agreement.

In addition, we will not be able to make future sales of our common stock pursuant to the Sales Agreement unless certain conditions are met, which include the accuracy of representations and warranties made to MLV under the Sales Agreement. Furthermore, MLV is permitted to terminate the Sales Agreement in its sole discretion upon ten days' notice, or at any time in certain circumstances, including the occurrence of an event that would be reasonably likely to have a material adverse effect on our assets, business, operations, earnings, properties, condition (financial or otherwise), prospects, stockholders' equity or results of operations. We have no obligation to sell the remaining shares available for sale pursuant to the Sales Agreement.

Our recurring losses from operations raise substantial doubt about our ability to continue as a going concern, and as a result, our independent registered public accounting firm included an explanatory paragraph in its report on our financial statements as of and for the year ended December 31, 2014 with respect to this uncertainty. This going concern opinion could materially limit our ability to raise additional funds through the issuance of new debt or equity securities or otherwise. Future reports on our financial statements may also include an explanatory paragraph with respect to our ability to continue as a going concern. We have incurred significant losses since our inception and have never been profitable, and it is possible we will never achieve profitability. We have devoted our resources to developing our product candidate, but it cannot be marketed until regulatory approvals have been obtained. Based upon our currently expected level of operating expenditures, we expect to be able to fund our operations through October 31, 2016. This period could be shortened if there are any significant increases in planned spending on our EVK-001 development program or more rapid progress of our ongoing Phase 3 clinical trial than anticipated. There is no assurance that other financing will be available when needed to allow us to continue as a going concern. The perception that we may not be able to continue as a going concern may cause others to choose not to deal with us due to concerns about our ability to meet our contractual obligations.

The following table summarizes our cash flows for the nine months ended September 30, 2015 and 2014:

	Nine Months Ended September 30,	
	2015	2014
Net cash used in operating activities	$(8,043,365)	$(8,980,199)
Net cash provided by (used in) financing activities	$4,626,373	$(3,039,810)
Net decrease in cash and cash equivalents	$(3,416,992)	$(12,020,009)

Operating Activities. The primary use of our cash has been to fund our operations.

Financing Activities. During the nine months ended September 30, 2015, we received net proceeds of approximately $4.6 million from the sale of 41,176 shares of common stock through our employee stock purchase plan and the sale of 932,237 shares of common stock pursuant to the Sales Agreement. During the nine months ended September 30, 2014, we repaid our outstanding loan balance of $3.0 million to SVB and paid approximately $83,000 for origination costs related to our loan and security agreement with Square 1.

We believe that our existing cash and cash equivalents as of September 30, 2015, together with interest thereon, will be sufficient to meet our anticipated cash requirements until October 31, 2016. However, our forecast of the period of time through which our financial resources will be adequate to support our operations is a forward-looking statement that involves risks and uncertainties, and actual results could vary materially.

The amount and timing of our future funding requirements will depend on many factors, including but not limited to:

- the progress, costs, results of and timing of our clinical development program for EVK-001, including our ongoing Phase 3 clinical trial;

- the need for, and the progress, costs and results of, any additional clinical trials of EVK-001 we may initiate based on the results of our ongoing clinical trials or discussions with the FDA, including any additional trials the FDA or other regulatory agencies may require evaluating the safety of EVK-001;
- the outcome, costs and timing of seeking and obtaining regulatory approvals from the FDA, and any similar regulatory agencies;
- the timing and costs associated with manufacturing EVK-001 for clinical trials and other studies and, if approved, for commercial sale;
- our need and ability to hire additional management, development and scientific personnel;
- the cost to maintain, expand and defend the scope of our intellectual property portfolio, including the amount and timing of any payments we may be required to make, or that we may receive, in connection with licensing, filing, prosecution, defense and enforcement of any patents or other intellectual property rights;

- the timing and costs associated with establishing sales and marketing capabilities;
- market acceptance of EVK-001;
- the extent to which we are required to pay milestone or other payments under our Mallinckrodt asset purchase agreement and the timing of such payments;
- the costs of acquiring, licensing or investing in additional businesses, products, product candidates and technologies; and
- our need to implement additional internal systems and infrastructure, including financial and reporting systems.

Off-Balance Sheet Arrangements

Through September 30, 2015, we have not entered into and did not have any relationships with unconsolidated entities or financial collaborations, such as entities often referred to as structured finance or special purpose entities, which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purpose.

Contractual Obligations and Commitments

Our most significant clinical trial expenditures are to CROs. The contracts with CROs generally are cancellable, with notice, at our option and do not have any cancellation penalties.

Our long-term debt obligation consists of amounts we are obligated to repay under our loan and security agreement with Square 1, of which we have drawn the full amount of $4.5 million as of December 31, 2014. We began making interest-only payments in January 2015. In December 2016, we will begin making the first of 24 monthly principal and interest payments, such that the loan balance will be fully repaid in November 2018.

Item 3. Quantitative and Qualitative Disclosure about Market Risk

As of September 30, 2015, there have been no material changes in our market risk from that described in “Item 7 – Management’s Discussion and Analysis of Financial Condition and Results of Operations – Quantitative and Qualitative Disclosures about Market Risk” in our Annual Report on Form 10-K for the fiscal year ended December 31, 2014.

Item 4. Controls and Procedures

Conclusions Regarding the Effectiveness of Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the timelines specified in the SEC’s rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Business Officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can only provide reasonable assurance of achieving the desired control objectives, and in reaching a reasonable level of assurance, management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. In addition, the design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, control may become inadequate because of changes in conditions, or the degree of compliance with policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

As required by SEC Rule 13a-15(b), we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Business Officer, of the effectiveness of the design and operation of our disclosure controls and procedures, as of the end of the period covered by this report. Based on the foregoing, our Chief Executive Officer and Chief Business Officer concluded that our disclosure controls and procedures were effective at the reasonable assurance level as of September 30, 2015.

Changes in Internal Control Over Financial Reporting

There have been no changes in our internal control over financial reporting during our most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

We are currently not a party to any material legal proceedings.

Item 1A. Risk Factors

There have been no material changes to the risk factors included in "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2014, other than those set forth below, which should be read in conjunction with the risk factors disclosed therein.

Risks Related to our Business, including the Development, Regulatory Approval and Potential Commercialization of our Product Candidate, EVK-001

Our business is entirely dependent on the success of a single product candidate, EVK-001, for which we initiated a Phase 3 clinical trial in April 2014. We cannot be certain that we will be able to obtain regulatory approval for, or successfully commercialize, EVK-001.

We have only one product candidate: EVK-001, a metoclopramide nasal spray to treat female patients with symptoms associated with acute and recurrent diabetic gastroparesis. We are entirely dependent on successful continued development and regulatory approval of this product candidate for our future business success. We have invested, and will continue to invest, a significant portion of our time and financial resources in the development of EVK-001. We will need to successfully enroll and complete our ongoing Phase 3 clinical trial of EVK-001 in women, which we commenced in April 2014, and, if required, raise sufficient funds for the completion of this trial. The future regulatory and commercial success of this product candidate is subject to a number of risks, including the following:

- we may not have sufficient financial and other resources to complete the Phase 3 clinical trial;
- we may not be able to provide acceptable evidence of safety and efficacy for EVK-001;
- the results of our planned and ongoing clinical trials may not confirm the positive results of earlier clinical trials, particularly because we are utilizing a modified patient report outcomes, or PRO, instrument for our current Phase 3 clinical trial compared to our Phase 2b clinical trial;
- the FDA may disagree with the design of current and future clinical trials;
- variability in patients, adjustments to clinical trial procedures and inclusion of additional clinical trial sites;
- the results of our clinical trial may not meet the level of statistical or clinical significance required by the FDA for marketing approval;
- we may be required to undertake additional clinical trials and other studies of EVK-001 before we can submit an NDA, to the FDA or receive approval of the NDA;
- patients in our clinical trials may die or suffer other adverse effects for reasons that may or may not be related to EVK-001, such as dysgeusia, headache, diarrhea, nasal discomfort, tremor, myoclonus, somnolence, rhinorrhea, throat irritation, and fatigue;
- if approved, EVK-001 will compete with well-established products already approved for marketing by the FDA, including oral and intravenous forms of metoclopramide, the same active ingredient in the nasal spray for EVK-001;
- we may not be able to obtain, maintain and enforce our patents and other intellectual property rights; and
- we may not be able to obtain and maintain commercial manufacturing arrangements with third-party manufacturers or establish commercial-scale manufacturing capabilities.

Of the large number of drugs in development in this industry, only a small percentage result in the submission of an NDA to the FDA and even fewer are approved for commercialization. Furthermore, even if we do receive regulatory approval to market EVK-001, any such approval may be subject to limitations on the indicated uses for which we may

market the product.

We will require substantial additional funding and may be unable to raise capital when needed, which would force us to suspend our Phase 3 clinical trial and otherwise delay, reduce or eliminate our development program for EVK-001.

Our operations have consumed substantial amounts of cash since inception. To date, our operations have been primarily financed through the proceeds from the sale of our common and preferred stock, and borrowings under our loan and financing agreements. We believe, based on our current operating plan, that our existing cash and cash equivalents, together with interest thereon, will be sufficient to fund our operations through October 31, 2016, although there can be no assurance in that regard. We anticipate fully

enrolling our ongoing Phase 3 clinical trial of EVK-001, which commenced in April 2014, during the first half of 2016. If the Phase 3 trial is not enrolled on our expected timeframe, we may need to obtain additional funds to complete this trial. We may also need to raise additional funds to finance any additional development requirements requested by the FDA.

Our estimates of the amount of cash necessary to fund our activities may prove to be wrong, and we could spend our available financial resources much faster than we currently expect. Our future funding requirements will depend on many factors, including, but not limited to:

- the rate of progress and cost of our Phase 3 clinical trial and any other clinical requirements for EVK-001;
- the timing of regulatory approval, if granted, of EVK-001 or any other product candidates;
- the cost of filing, prosecuting, defending and enforcing any patent claims and other intellectual property rights associated with EVK-001;
- the costs and timing of completion of outsourced commercial manufacturing supply arrangements for EVK-001;
- costs associated with any other product candidates that we may develop, in-license or acquire;
- the effect of competing technological and market developments; and
- the terms and timing of any collaborative, licensing, co-promotion or other arrangements that we may establish.

Any termination or suspension of, or delays in the enrollment or completion of, our ongoing Phase 3 clinical trial could result in increased costs to us, delay or limit our ability to generate revenue and adversely affect our commercial prospects.

Delays in the enrollment or completion of our ongoing Phase 3 clinical trial for EVK-001 could significantly affect our product development costs. We do not know whether this trial will complete enrollment or produce data on schedule, if at all. The commencement and completion of clinical trials can be delayed for a number of reasons, including delays related to:

- the FDA placing the clinical trial on hold;
- subjects failing to enroll or remain in our trial at the rate we expect (for example, due to variable patient frequency and severity of disease and variability in gastric emptying testing);
- subjects choosing an alternative treatment for the indication for which we are developing EVK-001, or participating in competing clinical trials;
- subjects experiencing severe or unexpected drug-related adverse effects;
- a facility manufacturing EVK-001 or any of its components being ordered by the FDA or other government or regulatory authorities to temporarily or permanently shut down due to violations of cGMP or other applicable requirements, or infections or cross-contaminations of product candidate in the manufacturing process;
- any changes to our manufacturing process that may be necessary or desired;
- third-party clinical investigators losing their license or permits necessary to perform our clinical trials, not performing our clinical trials on our anticipated schedule or consistent with the clinical trial protocol, GCP and regulatory requirements, or other third parties not performing data collection and analysis in a timely or accurate manner;
- inspections of clinical trial sites by the FDA or the finding of regulatory violations by the FDA or an IRB that require us to undertake corrective action, result in suspension or termination of one or more sites or the imposition of a clinical hold on the entire trial, or that prohibit us from using some or all of the data in support of our marketing applications;
- third-party contractors becoming debarred or suspended or otherwise penalized by the FDA or other government or regulatory authorities for violations of regulatory requirements, in which case we may need to find a substitute contractor, and we may not be able to use some or any of the data produced by such contractors in support of our marketing applications; or

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one or more IRBs refusing to approve, suspending or terminating the trial at an investigational site, precluding enrollment of additional subjects, or withdrawing its approval of the trial.

Product development costs will increase if we have delays in testing or approval of EVK-001, or if we need to perform more or larger clinical trials than planned. Additionally, changes in regulatory requirements and policies may occur and we may need to amend clinical trial protocols to reflect these changes. Amendments may require us to resubmit our clinical trial protocols to IRBs for reexamination, which may impact the costs, timing or successful completion of a clinical trial. If we experience delays in completion of or if we, the FDA or other regulatory authorities, the IRB, or other reviewing entities, or any of our clinical trial sites suspend or

terminate any of our clinical trials, the commercial prospects for our product candidate may be harmed and our ability to generate product revenues will be delayed. In addition, many of the factors that cause, or lead to, termination or suspension of, or a delay in the commencement or completion of, clinical trials may also ultimately lead to the denial of regulatory approval of a product candidate. Also, if one or more clinical trials are delayed, our competitors may be able to bring products to market before we do, and the commercial viability of EVK-001 could be significantly reduced.

The Phase 3 trial is expected to enroll 200 patients at sites across the United States. While the study is progressing according to plan at many of the clinical trial sites with previous gastroparesis study experience, overall enrollment has been slower than previously anticipated. Although the trial sites have been screening significant numbers of subjects, patients with diabetic gastroparesis typically have symptoms that vary in timing and severity, unpredictable gastric emptying delays, and complex medical histories. We are also facing competition for patients from four ongoing competing clinical trials that were not active when we started our Phase 3 trial. This combination of factors creates a challenge for enrollment into diabetic gastroparesis trials, though we continue to anticipate fully enrolling this trial during the first half of 2016. Continued delays in the enrollment and completion of the Phase 3 trial, as well as potential delays in any other clinical trials and studies, could be harmful to our business and cause us to require additional funding sooner than anticipated.

Risks Related to Our Financial Position and Need for Capital

Our recurring losses from operations have raised substantial doubt regarding our ability to continue as a going concern.

Our recurring losses from operations raise substantial doubt about our ability to continue as a going concern, and as a result, our independent registered public accounting firm included an explanatory paragraph in its report on our financial statements as of and for the year ended December 31, 2014 with respect to this uncertainty. This going concern opinion could materially limit our ability to raise additional funds through the issuance of new debt or equity securities or otherwise. Future reports on our financial statements may also include an explanatory paragraph with respect to our ability to continue as a going concern. We have incurred significant losses since our inception and have never been profitable, and it is possible we will never achieve profitability. We have devoted our resources to developing our product candidate, but it cannot be marketed until regulatory approvals have been obtained. Based upon our currently expected level of operating expenditures, we expect to be able to fund our operations through October 31, 2016. This period could be shortened if there are any significant increases in planned spending on our EVK-001 development program or more rapid progress of our ongoing Phase 3 clinical trial than anticipated. There is no assurance that other financing will be available when needed to allow us to continue as a going concern. The perception that we may not be able to continue as a going concern may cause others to choose not to deal with us due to concerns about our ability to meet our contractual obligations.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Unregistered Sales of Equity Securities

None.

Use of Proceeds

On September 24, 2013, our registration statement on Form S-1 (File No. 333-188839), which registered an aggregate amount of up to approximately $29.0 million of our common stock, was declared effective by the SEC for our IPO pursuant to which we sold 2,415,000 shares of common stock at an IPO price of $12.00 per share, including the exercise of the underwriters' over-allotment option. As a result of the IPO, we received gross proceeds of approximately $29.0 million, which after underwriting discounts, commissions and expenses of approximately $2.4 million and $1.5 million of other offering expenses, resulted in net proceeds to us of approximately $25.1 million. None of the expenses associated with the IPO were paid to directors, officers, persons owning ten percent or more of any class of equity securities, or to their associates, or to our affiliates.

Through September 30, 2015, approximately $3.2 million of the net proceeds has been used to make principal and interest payments on our prior loan with SVB, $168,000 for interest payments on our current loan with Square 1, and $15.4 million for working capital. Pending use of the net proceeds, we intend to invest the net proceeds in short-term, interest-bearing, investment-grade securities. There has been no material change in the planned use of proceeds from our IPO from that described in the final prospectus filed with the SEC pursuant to Rule 424(b) on September 25, 2013.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosure

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

A list of exhibits is set forth on the Exhibit Index immediately following the signature page of this Quarterly Report on Form 10-Q, and is incorporated herein by reference.

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.

Evoke Pharma, Inc.

Date: November 12, 2015	By:	/s/ David A. Gonyer David A. Gonyer President and Chief Executive Officer (Principal Executive Officer)
Date: November 12, 2015	By:	/s/ Matthew J. D'Onofrio Matthew J. D'Onofrio Executive Vice President, Chief Business Officer, Treasurer and Secretary (Principal Financial and Accounting Officer)

Index to Exhibits

Exhibit Number	Description of Exhibit
3.1 (1)	Amended and Restated Certificate of Incorporation of the Company
3.2 (1)	Amended and Restated Bylaws of the Company
4.1 (2)	Form of the Company's Common Stock Certificate
4.2 (3)	Investor Rights Agreement dated as of June 1, 2007
4.3 (3)	Warrant dated June 1, 2012 issued by the Company to Silicon Valley Bank
4.4 (2)	Form of Warrant Agreement dated September 30, 2013 issued by the Company to the representative of the underwriters and certain of its affiliates in connection with

	the closing of the Company's initial public offering.
4.5 (4)	Form of Warrant issued to Square 1 Bank under the Loan and Security Agreement by and between the Company and Square 1 Bank
10.1 (5)	Second Amendment to Loan and Security Agreement dated as of October 5, 2015 by and between the Company and Square 1 Bank
31.1*	Certification of Chief Executive Officer pursuant to Rules 13a-14 and 15d-14 promulgated under the Securities Exchange Act of 1934
31.2*	Certification of Chief Financial Officer pursuant to Rules 13a-14 and 15d-14 promulgated under the Securities Exchange Act of 1934

32.1*	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2*	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase

	Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

(1) Incorporated by reference to the Company's Current Report on Form 8-K filed with the SEC on September 30, 2013.

(2) Incorporated by reference to the Company's Amendment No. 3 to Registration Statement on Form S-1 filed with the SEC on August 16, 2013.

(3) Incorporated by reference to the Company's Registration Statement on Form S-1 filed with the SEC on May 24, 2013.

(4) Incorporated by reference to the Company's Current Report on Form 8-K filed with the SEC on May 28, 2014.

(5) Incorporated by reference to the Company's Current Report on Form 8-K filed with the SEC on October 7, 2015.

* These certifications are being furnished solely to accompany this quarterly report pursuant to 18 U.S.C. Section 1350, and are not being filed for purposes of Section 18 of the Securities Exchange Act of 1934 and are not to be incorporated by reference into any filing of Company, whether made before or after the date hereof, regardless of any

general incorporation
language in such filing.

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