Evoke Pharma Inc
Form 10-Q
August 15, 2016

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 June 30, 2016

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 August 9, 2016, the registrant had 12,350,360 shares of Common Stock outstanding.

Evoke pharma, inc.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

Evoke Pharma, Inc.

Condensed Balance Sheets

	June 30, 2016 (Unaudited)	December 31, 2015
Assets		
Current Assets:		
Cash and cash equivalents	$4,129,051	$8,691,155
Prepaid expenses	499,324	833,276
Other current assets	7,997	—
Total current assets	4,636,372	9,524,431
Other assets	—	7,997
Total assets	$4,636,372	$9,532,428
Liabilities and stockholders' equity		
Current Liabilities:		
Accounts payable and accrued expenses	$1,264,145	$927,606
Accrued compensation	499,305	760,782
Current portion of long-term debt	4,399,835	146,052
Total current liabilities	6,163,285	1,834,440
Long-term debt, net of current portion	—	4,233,059
Total liabilities	6,163,285	6,067,499
Stockholders' equity:		
Common stock, $0.0001 par value; authorized shares — 50,000,000;		
issued and outstanding shares - 7,291,841 and 7,201,774		
at June 30, 2016 and December 31, 2015, respectively	729	720
Additional paid-in capital	52,728,877	51,524,821
Accumulated deficit	(54,256,519)	(48,060,612)
Total stockholders' equity (deficit)	(1,526,913)	3,464,929
Total liabilities and stockholders' equity	$4,636,372	$9,532,428

See accompanying notes to these unaudited condensed financial statements.

Evoke Pharma, Inc.

Condensed Statements of Operations

(Unaudited)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2016	2015	2016	2015
Operating expenses:				
Research and development	$2,095,149	$2,188,138	$4,110,225	$4,608,099
General and administrative	802,655	976,418	1,940,408	2,001,679
Total operating expenses	2,897,804	3,164,556	6,050,633	6,609,778
Loss from operations	(2,897,804)	(3,164,556)	(6,050,633)	(6,609,778)
Other expense	(72,694)	(76,607)	(145,274)	(152,133)
Net loss	$(2,970,498)	$(3,241,163)	$(6,195,907)	$(6,761,911)
Net loss per common share, basic and diluted	$(0.41)	$(0.52)	$(0.86)	$(1.10)
Weighted-average shares used to compute basic and diluted net loss per share	7,217,577	6,212,803	7,192,791	6,157,226

See accompanying notes to these unaudited condensed financial statements.

Evoke Pharma, Inc.

Condensed Statements of Cash Flows

(Unaudited)

	Six Months Ended June 30,	
	2016	2015
Operating activities		
Net loss	$(6,195,907)	$(6,761,911)
Adjustments to reconcile net loss to net cash used in operating activities:		
Stock-based compensation expense	846,042	756,138
Non-cash interest	20,724	30,348
Deferred rent expense	—	(6,374)
Change in operating assets and liabilities:		
Prepaid expenses and other assets	333,952	214,845
Accounts payable and accrued expenses	75,062	227,700
Net cash used in operating activities	(4,920,127)	(5,539,254)
Financing activities		
Proceeds from issuance of common stock, net	358,023	1,266,533
Net cash provided by financing activities	358,023	1,266,533
Net decrease in cash and cash equivalents	(4,562,104)	(4,272,721)
Cash and cash equivalents at beginning of period	8,691,155	14,155,809
Cash and cash equivalents at end of period	$4,129,051	$9,883,088
Supplemental disclosure of cash flow information		
Interest paid	$125,813	$104,500
Non-cash financing activities		
Deferred financing costs paid in prior year	—	$137,812

See accompanying notes to these unaudited condensed financial statements.

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 the significant risks and uncertainties associated with any specialty pharmaceutical company that has substantial expenditures for research and development, including funding its operations.

The Company has incurred recurring losses and negative cash flows from operations since inception and expects to continue to incur net losses for at least the next several years. As of June 30, 2016, the Company had an accumulated deficit of approximately $54.3 million. The Company expects operating losses and negative cash flows to continue for the foreseeable future until such time, if ever, that it can generate significant revenues from the sale of Gimoti (formerly known as EVK-001).

Results of Phase 3 Clinical Trial

On July 18, 2016, the Company announced topline results from its Phase 3 clinical trial that evaluated the efficacy and safety of Gimoti in women with symptoms associated with diabetic gastroparesis. In this study, Gimoti did not achieve its primary endpoint of symptom improvement at Week 4.

Sales of Common Stock and Warrants

On July 25, 2016 and August 3, 2016, the Company completed at-the-market offerings of an aggregate of 5,048,632 shares of common stock for gross proceeds of approximately $14.5 million. Concurrently in private placements, for each share of common stock purchased by an investor, such investor received from the Company an unregistered warrant to purchase shares of common stock. See Note 5 for further description.

Repayment of Debt

On August 4, 2016, the Company repaid in full the entire $4.5 million of outstanding principal and interest under the Loan and Security Agreement, dated as of May 28, 2014, as amended (the "Loan Agreement"), between the Company, as borrower, and Square 1 Bank, a division of Pacific Western Bank ("Square 1"), as lender. In connection with such repayment, the Loan Agreement was terminated, and all security, liens or other encumbrances on assets of the Company were released. See Note 3 for further description.

In addition to the financings that occurred in July and August 2016, the Company may need to raise additional funds to conduct further analyses of the Phase 3 trial data of its product candidate and assess continued development opportunities for this product candidate, to prepare for a meeting with the U.S. Food and Drug Administration ("FDA"), for other working capital and general corporate purposes. The Company believes that its current cash and cash

equivalents, including the proceeds from the financings that occurred in July and August 2016 and after repayment of the debt, will be sufficient to meet estimated working capital requirements and fund operations through at least December 31, 2016. There can be no assurance that additional financing will be available when needed or on acceptable terms. 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.

Going Concern

In its report on the Company's financial statements for the year ended December 31, 2015, 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. Though the Company was able to raise aggregate net proceeds of approximately $12.8 million through sales of its common stock and warrants to purchase its common stock in July 2016 and August 2016, as of the date of this filing the Company believes that there is substantial doubt about its ability to continue as a going concern within one year after the financial statements are issued. Should the

Company's assessment of the Phase 3 clinical trial data and/or other development opportunities result in the Company's determination to continue the development of Gimoti, the Company anticipates that it will need to continue to complete equity or debt financings to meet future product development milestones.

2. Summary of Significant Accounting Policies

The accompanying condensed balance sheet as of December 31, 2015, 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 year ended December 31, 2015, which are contained in the Company's Annual Report on Form 10-K filed with the SEC on March 10, 2016. The results for interim periods are not necessarily indicative of the results expected for the full 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.

The Company grants stock options to purchase common stock to employees and members of the board of directors with exercise prices equal to the Company's closing market price on the date the stock options are 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 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 for the three and six months ended June 30, 2015 were costs of $71,019 and $159,044, respectively, for clinical trial services incurred by a related party of one of the Company's officers. There were no related party costs incurred during the six months ended June 30, 2016.

The Company does not own or operate manufacturing facilities for the production of Gimoti, 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. Other than an agreement with Cosma S.p.A. to supply metoclopramide for the manufacture of Gimoti, the Company does not have any other contractual relationships for the manufacture of commercial supplies of Gimoti. If Gimoti 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 shares subject to repurchase from the weighted-average number of common shares outstanding for each of the three and six months ended June 30, 2016 and 2015. 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. 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		Six Months Ended	
	June 30,		June 30,	
	2016	2015	2016	2015
Common stock subject to repurchase	45,000	45,000	45,000	45,000
Warrants to purchase common stock	118,881	118,881	118,881	118,881
Common stock options	1,275,624	1,037,500	1,275,624	1,037,500
Employee stock purchase plan	8,272	7,208	11,032	10,529
Total excluded securities	1,447,777	1,208,589	1,450,537	1,211,910

Recent Accounting Pronouncements

In August 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-15 (Subtopic 205-40), Presentation of Financial Statements - Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern. The guidance requires management to evaluate whether there are conditions and events that raise substantial doubt about the entity's ability to continue as a going concern within one year after the financial statements are issued (or available to be issued when applicable). Management will be required to make this evaluation for both annual and interim reporting periods and will have to make certain disclosures if it concludes that substantial doubt exists or when its plans alleviate substantial doubt about the entity's ability to continue as a going

concern. Substantial doubt exists when relevant conditions and events, considered in the aggregate, indicate that it is probable that the entity will be unable to meet its obligations as they become due within one year after the date that the financial statements are issued (or available to be issued). The term probable is used consistently with its use in ASC Topic 450, Contingencies. The guidance is effective for annual periods ending after December 15, 2016 and for interim reporting periods starting in the first quarter 2017, with early adoption permitted. The Company is currently evaluating the impact of this guidance and expects to adopt the standard for the annual reporting period ending December 31, 2016.

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-02, Leases. The new standard establishes a right-of-use ("ROU") model that requires a lessee to record a ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. A modified retrospective transition approach is required for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented

in the financial statements, with certain practical expedients available. The Company is currently evaluating the impact of its pending adoption of the new standard on the Company's financial statements.

In March 2016, the FASB issued ASU No. 2016-09 Compensation-Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting. This guidance changes the accounting for certain aspects of share-based payments to employees. The guidance requires the recognition of the income tax effects of awards in the income statement when the awards vest or are settled, thus eliminating additional paid-in capital pools. The guidance also allows for the employer to repurchase more of an employee's shares for tax withholding purposes without triggering liability accounting. In addition, the guidance allows for a policy election to account for forfeitures as they occur rather than on an estimated basis. This guidance is effective for annual and interim reporting periods of public entities beginning after December 15, 2016, with early adoption permitted. The Company is currently evaluating the impact of this guidance on its financial statements and the timing of adoption.

3. Debt

In May 2014, the Company entered into a $4.5 million loan and security agreement (the "credit facility") with 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 had a fixed annual interest rate of 5.50%. On August 4, 2016, the Company repaid in full the entire $4.5 million of outstanding principal and interest under the Loan Agreement between the Company and Square 1 Bank. In connection with such repayment, the Loan Agreement was terminated, and all security, liens or other encumbrances on assets of the Company were released.

The Company incurred $82,685 of loan origination costs related to this credit facility. The remaining unamortized costs of approximately $38,000 were charged to interest expense upon the payment of the loan in August 2016.

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. During July 2016, Square 1 converted its warrant by a "cashless" conversion and received 9,887 shares of the Company's common stock. The value determined for the warrant at the time of the grant of $108,122 was recorded as a debt discount, as well as to stockholders' equity. The remaining unamortized debt discount associated with the warrant of approximately $59,000 was charged to interest expense upon the payment of the loan in August 2016.

4. Technology Acquisition Agreement

In June 2007, the Company acquired all worldwide rights, data, patents and other related assets associated with Gimoti 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 Gimoti. 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 Gimoti achieves the following development targets:

- $1.5 million upon the FDA's acceptance for review of a new drug application for Gimoti; and
- $3 million upon the FDA's approval of Gimoti.

The remaining $47 million in milestone payments depend on Gimoti's commercial success and will only apply if Gimoti receives regulatory approval. In addition, the Company will be required to pay to Mallinckrodt a low single digit royalty on net sales of Gimoti. The Company's obligation to pay such royalties will terminate upon the expiration of the last patent right covering Gimoti, which is expected to occur in 2030.

5. Stockholders' Equity

Sale of Common Stock and Warrants

On July 25, 2016, the Company completed an at-the-market offering of 1,804,512 shares of common stock at a purchase price of $2.49375 per share (the "July 2016 Financing"). Concurrently in a private placement, for each share of common stock purchased by an investor, such investor received from the Company an unregistered warrant to purchase three-quarters of a share of common stock. The warrants have an exercise price of $2.41 per share, are immediately exercisable, and will expire five and a half years from the initial issuance date. The aggregate gross proceeds from the sale of the common stock and warrants were approximately $4.5 million, and the net proceeds after deduction of commissions and fees were approximately $3.9 million.

On August 3, 2016, the Company completed an at-the-market offering of 3,244,120 shares of common stock at a purchase price of $3.0825 per share (the "August 2016 Financing" and together with the July 2016 Financing, the "2016 Financings"). Concurrently in a private placement, for each share of common stock purchased by an investor, such investor received from the Company an unregistered warrant to purchase one half of a share of common stock. The warrants have an exercise price of $3.03 per share, are immediately exercisable, and will expire five and a half years from the initial issuance date. The aggregate gross proceeds from the sale of the common stock and warrants were approximately $10 million, and the net proceeds after deduction of commissions and fees was approximately $8.9 million.

At the Market Equity Offering Program

In November 2014, the Company entered into an At Market Sales Agreement with MLV & Co. LLC ("MLV") ("MLV Sales Agreement"), pursuant to which the Company could 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. During September 2015, FBR & Co. ("FBR"), acquired MLV. The sales of shares of the Company's common stock made through this equity program were made in "at-the-market" offerings as defined in Rule 415 of the Securities Act of 1933, as amended (the "Securities Act"). During the year ended December 31, 2015, the Company sold 1,048,507 shares of common stock at a weighted average price per share of $4.78 pursuant to the MLV Sales Agreement and received proceeds of approximately $4.9 million, net of commissions and fees. The Company did not sell any shares of common stock through the MLV Sales Agreement during the six months ended June 30, 2016. 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.

On April 15, 2016, the Company terminated the MLV Sales Agreement and entered into a new At Market Issuance Sales Agreement with FBR ("FBR Sales Agreement"), pursuant to which the Company may sell from time to time, at its option, up to an aggregate of 649,074 shares of the Company's common stock through FBR as the sales agent. The sales of shares made through this equity program are made in "at-the-market" offerings as defined in Rule 415 of the Securities Act. Through June 30, 2016, the Company has sold 56,000 shares of common stock at a weighted average price per share of $5.45 and received proceeds of approximately $296,000, net of commissions and fees. 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 MLV Sales Agreement, and are continuing pursuant to the FBR Sales Agreement, there can be no assurance that FBR 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.

In addition, the Company will not be able to make future sales of common stock pursuant to the FBR Sales Agreement unless certain conditions are met, which include the accuracy of representations and warranties made to FBR under the FBR Sales Agreement. Furthermore, FBR is permitted to terminate the FBR 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. Finally, under the Securities Purchase Agreements entered into in connection with the 2016 Financings, the Company agreed to not sell any shares of its common stock for a period through and including September 17, 2016, without prior consent by the 2016 Financings investors. The Company has no obligation to sell the remaining shares available for sale pursuant to the FBR Sales Agreement.

Employee Stock Purchase Plan and Equity Incentive Award Plan

As a result of payroll withholdings from the Company's employees of approximately $99,000 and $111,000, the Company sold 34,067 and 23,288 shares of common stock through its ESPP during the six months ended June 30,

2016 and 2015, respectively.

On April 27, 2016, the Company's stockholders approved an amendment and restatement of the Company's 2013 Equity Incentive Award Plan (the "Restated Plan") to increase the number of shares of common stock reserved under the Restated Plan by 500,000 shares, to an aggregate of 4,786,425 shares, and to extend the term of the Restated Plan into 2026.

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 three and six months ended June 30, 2016 and 2015: