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 March 31, 2019

or

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

For the transition period from to

Commission File Number: 001-36754

EVOFEM BIOSCIENCES, INC.

(Exact name of registrant as specified in its charter)

Delaware	**20-8527075**
(State or other jurisdiction of incorporation)	**(IRS Employer Identification No.)**
12400 High Bluff Drive, Suite 600 San Diego, CA 92130	**92130**
(Address of Principal Executive Offices)	**(Zip Code)**

Registrant's telephone number, including area code: (858) 550-1900

Not applicable.

(Former name or former address, if changed since last report.)

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).
Yes ☒ No ☐

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

Large accelerated filer ☐	Accelerated filer ☐
Non-accelerated filer ☒	Smaller reporting company ☒
	Emerging growth company ☒

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

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

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

Title of each class	**Trading Symbol(s)**	**Name of each exchange on which registered**
Common Stock, par value $0.0001 per share	EVFM	The Nasdaq Stock Market LLC (Nasdaq Capital Market)

The number of shares of the registrant's common stock, $0.0001 par value, outstanding as of April 30, 2019 was 35,367,191.

Table of Contents

Table of Contents

FORWARD-LOOKING STATEMENTS

This quarterly report on Form 10-Q (Quarterly Report) contains forward-looking statements that involve substantial risks and uncertainties. The forward-looking statements are contained principally in the sections entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations." All statements, other than statements of historical facts, contained in this Quarterly Report, including statements regarding our strategy, future operations, future financial position, projected costs, prospects, plans and objectives of management, are forward-looking statements. Words such as, but not limited to, "anticipate," "aim," "believe," "contemplate," "continue," "could," "design," "estimate," "expect," "intend," "may," "might," "plan," "possible," "potential," "predict," "project," "seek," "should," "suggest," "strategy," "target," "will," "would," and similar expressions or phrases, or the negative of those expressions or phrases, are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words.

Although we believe that we have a reasonable basis for each forward-looking statement contained in this Quarterly Report, we caution you that these statements are based on our projections of the future that are subject to known and unknown risks and uncertainties and other factors that may cause our actual results, level of activity, performance or achievements expressed or implied by these forward-looking statements, to differ. These forward-looking statements include, among other things, statements about:

- our projected financial position and estimated cash burn rate;
- our estimates regarding expenses, future revenues and capital requirements;
- our ability to continue as a going concern;
- our ability to raise additional capital to fund our operations;
- our ability to obtain the necessary regulatory approvals to market and commercialize our lead Multipurpose Vaginal pH Regulator ™ (MVP-R) product candidate, Amphora (L-lactic acid, citric acid, and potassium bitartrate) for prevention of pregnancy, prevention of urogenital transmission of chlamydia in women and prevention of urogenitaltransmission of gonorrhea in women, our MVP-R product candidate for reduction of recurrent bacterial vaginosis (BV), and any other product candidate we may seek to develop;
- the success, cost and timing of our clinical trials;
- our ability to obtain additional patent protection for our product candidates;
- our dependence on third parties in the conduct of our clinical trials;
- our ability to establish and develop sales, manufacturing and marketing capabilities or our ability to enter into agreements with third parties to manufacture or to market and sell any approved product candidates we may have;
- the potential for changes to current regulatory mandates requiring health insurance plans to cover FDA-cleared or approved contraceptive products without cost sharing, our ability to obtain third-party payer coverage and adequate reimbursement, and our reliance on the willingness of patients to pay out-of-pocket absent full or partial third-party payer reimbursement;
- the Second Closing of our Private Placement financing (each as defined and described in Note 12- Subsequent Events) may not occur and could adversely affect our business and the price of our common stock; and
- our ability to expand our organization to accommodate potential growth and our ability to retain and attract key personnel.

Our current product candidates have not been approved by the United States Food and Drug Administration (FDA), the European Commission or any other regulatory commission. Our product candidates have not been, nor may they ever be, approved by any regulatory agency or competent authority nor marketed anywhere in the world.

We may not actually achieve the plans, intentions or expectations disclosed in our forward-looking statements, and you should not place undue reliance on our forward-looking statements. All forward-looking statements are qualified in their entirety by this cautionary statement. Forward-looking statements should be regarded solely as our current plans, estimates and beliefs. You should read this Quarterly Report and the documents that we have filed as exhibits to this Quarterly Report and incorporated by reference herein completely and with the understanding that our actual future results may be materially different from the plans, intentions and expectations disclosed in the forward-looking statements we make. Moreover, we operate in a very competitive and rapidly changing environment. New risks emerge from time to time. It is not possible for our management to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. The forward-looking statements contained in this Quarterly Report are made as of the date of this Quarterly Report, and we do not assume any obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable law.

PART I. FINANCIAL INFORMATION
ITEM 1. Financial Statements

EVOFEM BIOSCIENCES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)
(In thousands, except par value and share data)

	March 31, 2019	December 31, 2018
Assets		
Current assets:		
Cash and cash equivalents	$ 184	$ 1,330
Restricted cash	416	431
Prepaid and other current assets	813	717
Total current assets	1,413	2,478
Property and equipment, net	527	593
Operating lease right-of-use assets	645	—
Other noncurrent assets	649	939
Total assets	$ 3,234	$ 4,010
Liabilities and stockholders' deficit		
Current liabilities:		
Accounts payable	$ 11,933	$ 8,882
Note payable	4,010	4,010
Accrued expenses	11,646	11,513
Accrued compensation	3,724	2,924
Operating lease liabilities	772	—
Total current liabilities	32,085	27,329
Deferred rent	—	37
Total liabilities	32,085	27,366
Commitments and contingencies (Note 6)		
Preferred stock, $0.0001 par value; 5,000,000 shares authorized; no shares issued and outstanding		
Stockholders' deficit:		
Common stock, $0.0001 par value; 300,000,000 shares authorized; 28,712,174 and 25,867,248 shares issued and outstanding at March 31, 2019 and December 31, 2018, respectively;	3	3
Additional paid-in capital	422,360	409,787
Accumulated deficit	(451,214)	(433,146)
Total stockholders' deficit	(28,851)	(23,356)
Total liabilities and stockholders' deficit	$ 3,234	$ 4,010

See accompanying notes to the condensed consolidated financial statements (unaudited).

EVOFEM BIOSCIENCES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)
(In thousands, except share and per share data)

	Three Months Ended March 31,	
	2019	**2018**
Operating expenses:		
Research and development	$ 7,889	$ 11,959
General and administrative	5,743	9,027
Total operating expenses	13,632	20,986
Loss from operations	(13,632)	(20,986)
Other income (expense):		
Interest income	18	30
Other expense, net	(14)	(50)
Loss on issuance of warrants	—	(47,920)
Change in fair value of warrants	(4,440)	—
Change in fair value of Series D 2X liquidation preference	—	(130)
Total other expense, net	(4,436)	(48,070)
Loss before income tax	(18,068)	(69,056)
Net loss	(18,068)	(69,056)
Accretion of Series D redeemable convertible preferred stock dividends	—	(66)
Net loss attributable to common stockholders	$ (18,068)	$ (69,122)
Net loss per share attributable to common stockholders, basic and diluted	$ (0.67)	$ (4.62)
Weighted-average shares used to compute net loss attributable to common stockholders, basic and diluted	26,883,734	14,974,458

See accompanying notes to condensed consolidated financial statements (unaudited).

EVOFEM BIOSCIENCES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' DEFICIT

For the Three Months Ended March 31, 2019

(Unaudited)
(In thousands, except share data)

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Deficit
	Shares	Amount			
Balance at December 31, 2018	25,867,248	$ 3	$ 409,787	$ (433,146)	$ (23,356)
Issuance of common stock upon cash exercise of warrants and issuance of Reload Warrants (see Note 10)	2,376,065	—	10,617	—	10,617
Restricted stock awards/units issued	470,500	—	—	—	—
Shares withheld to cover taxes related to vesting of restricted stock awards	(1,639)	—	(6)	—	(6)
Stock-based compensation	—	—	1,962	—	1,962
Net loss	—	—	—	(18,068)	(18,068)
Balance at March 31, 2019	**28,712,174**	**$ 3**	**$ 422,360**	**$ (451,214)**	**$ (28,851)**

See accompanying notes to condensed consolidated financial statements (unaudited).

Table of Contents

EVOFEM BIOSCIENCES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' DEFICIT

For the Three Months Ended March 31, 2018

(Unaudited)
(In thousands, except share data)

	Series A Convertible Preferred Stock		Series B Convertible Preferred Stock		Series C-1 Convertible Preferred Stock		Series C Convertible Preferred Stock		Series D Redeemable Convertible Preferred Stock		Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Deficit
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount			
Balance at December 31, 2017	12,618,279	$23,848	13,801,318	$43,616	8,558,686	$34,382	5,037,784	$19,469	80	$68,556	2,082,053	$ —	$ 17,731	$ (307,277)	$ (289,546)
Conversion of convertible preferred stock into common stock, excluding Series D (see Note 8)	(12,618,279)	(23,848)	(13,801,318)	(43,616)	(8,558,686)	(34,382)	(5,037,784)	(19,469)	—	—	1,027,079	—	121,315	—	121,315
Cancellation of restricted stock awards (see Note 11)	—	—	—	—	—	—	—	—	—	—	(122,149)	—	—	—	—
Issuance of common stock upon cashless exercise of Invesco Warrants (see Note 10)	—	—	—	—	—	—	—	—	—	—	3,968,473	1	47,919	—	47,920
Accretion and payment of Series D dividends (see Note 8)	—	—	—	—	—	—	—	—	—	66	—	—	(66)	(157)	(223)
Conversion of Series D dividends and Series D (see Note 8)	—	—	—	—	—	—	—	—	(80)	(5,226)	6,878,989	1	5,225	—	5,226
Redemption of Series D 2X liquidation preference upon conversion of Series D (see Note 8)	—	—	—	—	—	—	—	—	—	—	—	—	80,000	—	80,000
Deemed contribution upon conversion of Series D (see Note 8)	—	—	—	—	—	—	—	—	—	(49,334)	—	—	49,334	—	49,334
Issuance of common stock and WIM Warrants (see Note 8)	—	—	—	—	—	—	—	—	—	(14,062)	3	—	14,062	—	14,062
Private placement of common stock (see Note 3)	—	—	—	—	—	—	—	—	—	—	1,614,289	—	20,000	—	20,000
Record pre-merger Neothetics' stockholders' equity and elimination of Neothetics' historical accumulated deficit (see Note 3)	—	—	—	—	—	—	—	—	—	—	2,308,430	—	1,946	—	1,946

Issuance of common stock - exercise of stock options	—	—	—	—	—	—	—	—	—	—	6,173	—	42	—	42
Stock-based compensation	—	—	—	—	—	—	—	—	—	—	—	—	688	—	688
Net loss	—	—	—	—	—	—	—	—	—	—	—	—	—	(69,056)	(69,056)
Balance at March 31, 2018	—	$ —	—	$ —	—	$ —	—	$ —	—	$ —	17,763,340	$ 2	$ 358,196	$ (376,490)	$ (18,292)

See accompanying notes to condensed consolidated financial statements (unaudited).

EVOFEM BIOSCIENCES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)
(In thousands)

	Three Months Ended March 31,	
	2019	**2018**
Cash flows from operating activities:		
Net loss	$ (18,068)	$ (69,056)
Adjustments to reconcile net loss to net cash, cash equivalents and restricted cash used in operating activities:		
Loss on issuance of warrants	—	47,920
Change in fair value of warrants	4,440	—
Change in fair value of Series D 2X liquidation preference	—	130
Stock-based compensation	1,962	688
Depreciation	66	65
Noncash lease expenses	157	—
Changes in operating assets and liabilities:		
Prepaid and other assets	12	(574)
Accounts payable	2,887	3,964
Accrued expenses and other liabilities	252	390
Accrued compensation	800	(1,479)
Operating lease liabilities	(186)	—
Deferred rent, net of current portion	—	(186)
Net cash, cash equivalents and restricted cash used in operating activities	(7,678)	(18,138)
Cash flows from investing activities:		
Proceeds from sale of Softcup line of business	250	250
Cash acquired in connection with the Merger	—	1,900
Net cash, cash equivalents and restricted cash provided by investing activities	250	2,150
Cash flows from financing activities:		
Proceeds from issuance of common stock	6,273	20,000
Proceeds from issuance of common stock - exercise of stock options	—	42
Payment of cash dividends for Series D redeemable convertible preferred stock	—	(157)
Payments of tax withholdings related to vesting of restricted stock awards	(6)	—
Net cash, cash equivalents and restricted cash provided by financing activities	6,267	19,885
Net change in cash, cash equivalents and restricted cash	(1,161)	3,897
Cash, cash equivalents and restricted cash, beginning of period	1,761	1,701
Cash, cash equivalents and restricted cash, end of period	$ 600	$ 5,598
Supplemental disclosure of noncash investing and financing activities:		
Operating right-of-use assets obtained in exchange for new operating lease liabilities	$ 802	$ —
Net assets acquired in connection with the Merger	$ —	$ 46
Deferred financing costs included in accounts payable and accrued expenses	$ 164	$ 392
Conversion of convertible preferred stock into common stock (excluding Series D)	$ —	$ 121,315
Conversion of Series D redeemable convertible preferred stock into common stock	$ —	$ 68,622
Redemption of Series D 2X liquidation preference upon conversion of Series D redeemable convertible preferred stock into common stock	$ —	$ 80,000

See accompanying notes to condensed consolidated financial statements (unaudited).

EVOFEM BIOSCIENCES, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Description of Business and Basis of Presentation

Merger

On January 17, 2018, Neothetics, Inc., a Delaware corporation (Neothetics), now known as Evofem Biosciences, Inc. (the Company), completed its merger (the Merger) with privately-held Evofem Biosciences Operations, Inc. (Private Evofem), in accordance with the terms of the Agreement and Plan of Merger and Reorganization, dated October 17, 2017 (the Merger Agreement), whereby Nobelli Merger Sub, Inc., a Delaware corporation and wholly-owned subsidiary of Neothetics, merged with and into Private Evofem, with Private Evofem surviving as Neothetics' wholly-owned subsidiary.

In connection with the Merger, Neothetics filed a certificate of amendment to the amended and restated certificate of incorporation to, among other things, affect a 6:1 reverse stock split of its common stock (the Reverse Stock Split) and change its name from "Neothetics, Inc." to "Evofem Biosciences, Inc." Both the name change and the Reverse Stock Split were effective on January 17, 2018 (the Closing Date). Shares of the Company's common stock commenced trading on The Nasdaq Capital Market under the ticker symbol "EVFM" as of January 18, 2018. See discussions of the transactions in connection with the Merger at Note 3- Merger and Related Transactions.

Evofem Biosciences, Inc.'s operations include those of its wholly-owned subsidiaries, Evofem Biosciences Operations, Inc., a Delaware corporation, Evofem Inc. (Evofem Inc.), a Delaware corporation, Evofem North America, Inc., a Delaware corporation (ENA), Evofem Limited, LLC, a Delaware limited liability company and Evofem Ltd., a limited company registered in England and Wales and those of its partially owned subsidiary, Evolution Pharma, a Dutch limited partnership (EP) with 99% of the outstanding partnership interests held by Evofem Inc. and 1% of the outstanding partnership interests held by Evofem Limited, LLC. Evofem Limited, LLC and Evofem Ltd. are currently inactive.

Unless otherwise noted, (i) references in this report to "Evofem" and the "Company" refer to Evofem Biosciences, Inc. and its subsidiaries following the closing of the Merger on the Closing Date, (ii) references to "Private Evofem" refer to Evofem Biosciences Operations, Inc. and its subsidiaries prior to the closing the Merger on the Closing Date, (iii) references to "Neothetics" refer to Neothetics, Inc. and its subsidiaries prior to the closing of the Merger on the Closing Date, and (iv) references to share amounts, figures (other than exchange ratios) and other information have been adjusted to reflect the Reverse Stock Split.

Description of Business

Evofem is a San Diego-based clinical-stage biopharmaceutical company committed to developing and commercializing innovative products to address unmet needs in women's sexual and reproductive health. Evofem exists to advance the lives of women by developing innovative solutions, such as woman-controlled contraception and potential protection from certain sexually transmitted infections (STIs). The Company is leveraging its proprietary Multi-purpose Vaginal pH Regulator ™ (MVP-R) platform to develop product candidates for multiple potential indications, including prevention of pregnancy, prevention of STIs, and reduction of recurrent bacterial vaginosis (BV).

Evofem's MVP-Rs are acid-buffering bioadhesive vaginal gels designed to regulate vaginal pH within the normal range of 3.5 to 4.5. This vaginal pH range is inhospitable to spermatozoa, as well as certain viral and bacterial pathogens associated with STIs, but is integral to the survival of healthy bacteria in the vagina.

Evofem's lead MVP-R product candidate, Amphora® (L-lactic acid, citric acid, and potassium bitartrate), is a non-hormonal, on demand, woman-controlled vaginal gel. Its second single-arm Phase 3 trial for Amphora for prevention of pregnancy in approximately 1,400 women in the United States (AMPOWER) had the last patient exit the study in November 2018. The Company reported top-line data from AMPOWER in December 2018, which demonstrated a cumulative pregnancy rate of 14.0% over seven cycles of use (95% CI 10.0, 18.0) in the modified intention-to-treat population (referred to as "typical use") which meets the pre-determined endpoint of this clinical trial. This corresponds to an 86.0% efficacy rate. Amphora is also currently being evaluated in a Phase 2b trial for the prevention of urogenital transmission of chlamydia and gonorrhea in women (AMPREVENCE). As of March 31, 2019, AMPREVENCE was 100% enrolled at approximately 50 study centers in the United States and its top-line data are expected in fall 2019.

Evofem's pipeline also includes an MVP-R product candidate for reduction of recurrent BV. The Company anticipates conducting a Phase 2 clinical trial for this indication, building on favorable Phase 1 trial results.

Basis of Presentation and Principles of Consolidation

Since Private Evofem was determined to be the accounting acquirer in connection with the Merger, it recorded Neothetics' assets and liabilities at fair value as of the Closing Date. Therefore, for periods prior to the Merger, the condensed consolidated financial statements were prepared on a stand-alone basis for Private Evofem and did not include the combined entities' financial position. Subsequent to the Merger, the condensed consolidated financial statements as of and for the three months ended March 31, 2018 from the Closing Date included Neothetics' assets and liabilities.

The Company prepared the unaudited interim condensed consolidated financial statements included in this Quarterly Report in accordance with accounting principles generally accepted in the U.S. (GAAP) for interim financial information and the rules and regulations of the Securities and Exchange Commission (SEC) related to quarterly reports on Form 10-Q.

The Company's financial statements are presented on a consolidated basis, which include the accounts of the Company and its wholly-owned subsidiaries. Intercompany accounts and transactions have been eliminated in consolidation. The unaudited interim condensed consolidated financial statements do not include all information and disclosures required by GAAP for annual audited financial statements and should be read in conjunction with the Company's consolidated financial statements and notes thereto for the year ended December 31, 2018 included in its Annual Report on Form 10-K as filed with the SEC on March 1, 2019 (the 2018 Audited Financial Statements).

The unaudited interim condensed consolidated financial statements included in this report have been prepared on the same basis as the Company's audited consolidated financial statements and include all adjustments (consisting only of normal recurring adjustments) necessary for a fair statement of the financial position, results of operations, cash flows, and statements of convertible preferred stock and stockholders' deficit for the periods presented. The results for the three months ended March 31, 2019 are not necessarily indicative of the results expected for the full year. The condensed consolidated balance sheet as of December 31, 2018 was derived from the 2018 Audited Financial Statements.

Immaterial Restatement

Subsequent to the issuance of the March 31, 2018 interim condensed consolidated financial statements, the Company identified an error in the previously reported amounts of par value of common stock and additional paid-in-capital as of December 31, 2017, which amounts were previously reported as $81,000 and $17.7 million, respectively, on the condensed consolidated balance sheet as of December 31, 2017, and on the condensed consolidated statements of convertible preferred stock and stockholders' deficit, for the three month period ended March 31, 2018, included in the Company's Form 10-Q. In addition, the number of common shares included in such condensed consolidated statements of convertible preferred stock and stockholders' deficit were incorrectly presented as of December 31, 2017, and for share activity from January 1, 2018 to the merger consummation date of January 18, 2018. As a result, the Company has corrected the presentation of the amounts of par value of common stock and additional paid-in-capital as of December 31, 2017, and the number of common shares shown as of December 31, 2017 and for share activity from January 1, 2018 to January 18, 2018, to present such dollar and share amounts on a post-split basis, as shown below. This change is reflected in the condensed consolidated statement of convertible preferred stock and stockholders' deficit for the three months ended March 31, 2018. Management has considered these errors from a qualitative and quantitative perspective and believes the impact of these errors is not material to the financial statements for the applicable periods.

The following table shows the restated number of common shares as of December 31, 2017 and for share activity for the three months ended March 31, 2018, and corresponding common stock par value and additional paid-in-capital as previously reported and as corrected.

	As Previously Reported			As Corrected		
	Common Stock		Additional	Common Stock		Additional
In thousands, except share data	Shares	Amount	Paid-in Capital	Shares	Amount	Paid-in Capital
Balance at December 31, 2017	81,119,014	$ 81	$ 17,650	2,082,053	$ —	$ 17,731
Conversion of convertible preferred stock into common stock, excluding Series D	40,016,067	40	121,275	1,027,079	—	121,315
Cancellation of restricted stock awards	(4,759,091)	(5)	5	(122,149)	—	—
Issuance of common stock upon cashless exercise of Invesco Warrants	154,593,455	155	47,765	3,968,473	1	47,919
Exchange of 270,969,445 Private Evofem common stock (par value $0.001) for 6,955,456 shares of Neothetics' common stock (par value $0.0001)	(264,013,989)	(270)	270	—	—	—

Risks, Uncertainties and Going Concern

The financial statements have been prepared on a going concern basis, which contemplates the realization of assets and settlement of liabilities, in the normal course of business, and do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or amounts and classification of liabilities that may result from the outcome of this uncertainty.

The Company's principal operations have been related to research and development (R&D), including development of Amphora as well as raising capital, recruiting personnel and establishing a corporate infrastructure. The Company has no revenues and, as such, has incurred operating losses and negative cash flows from operating activities since inception, and has negative working capital and a net capital deficiency at March 31, 2019. As described in Note 8- Convertible Preferred Stock, Note 9- Public Offering and Note 12- Subsequent Events, the Company received gross proceeds of approximately $6.3 million upon the exercise of warrants in February 2019, and net proceeds of approximately $27.5 million upon completion of the sale and issuance shares of common stock and a warrant to purchase common stock pursuant to a Securities Purchase Agreement with PDL BioPharma, Inc., a Delaware corporation (PDL BioPharma) in April 2019. As of March 31, 2019, the Company had cash and cash equivalents of $0.2 million, working capital deficit of $30.7 million and an accumulated deficit of $451.2 million.

The Company is subject to risks common to other life science companies in the development stage including, but not limited to, uncertainty of product development and commercialization, lack of marketing and sales history, development by its competitors of new technological innovations, dependence on key personnel, market acceptance of products, product liability, protection of proprietary technology, ability to raise additional financing, and compliance with U.S. Food and Drug Administration (FDA) and other government regulations. If the Company does not successfully commercialize any product candidates, it will be unable to generate recurring product revenue or achieve profitability. Management's plans to meet its short- and long-term operating cash flow requirements include obtaining additional funding, such as through the issuance of its common stock, from other equity or debt financings, or through collaborations or partnerships with other companies.

The Company anticipates it will continue to incur net losses for the foreseeable future and incur additional costs associated with being a public company. R&D expenses are expected to decrease for the foreseeable future due to the completion of the clinical phase of confirmatory Phase 3 clinical trial for Amphora for prevention of pregnancy. According to management estimates, liquidity resources as of March 31, 2019 are not sufficient to maintain its planned level of operations for the 12 months from the date of issuance of the financial statements.

These circumstances and the uncertainties associated with the Company's ability to (i) obtain additional equity financing on terms that are favorable to Evofem, (ii) enter into collaborative agreements with strategic partners and (iii) succeed in its future operations raise substantial doubt about the Company's ability to continue as a going concern.

If the Company is not able to obtain the required funding in the near term, through equity financings or other means, or is unable to obtain funding on terms favorable to the Company, this will have a material adverse effect on its operations and strategic development plan for future growth. If the Company cannot successfully raise additional funding and implement its strategic development plan, the Company may be forced to make reductions in spending, extend payment terms with suppliers, liquidate assets where possible, suspend or curtail planned programs or cease operations entirely. Any of these could materially and adversely affect its liquidity, financial condition and business prospects and the Company would not be able to continue as a going concern. If the Company is unable to continue as a going concern, it may have to liquidate its assets and may receive less than the value at which those assets are carried on the financial statements.

2. Summary of Significant Accounting Policies

Use of Estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and the notes thereto.

Significant estimates affecting amounts reported or disclosed in the consolidated financial statements include, but not limited to, the discount rate used in estimating the fair value of the operating lease right-of-use assets and operating lease liabilities, the measurement of the Series D 2X liquidation preference, assumptions used in estimating the fair value of warrants issued, the useful lives of property and equipment, the recoverability of long-lived assets, preclinical and clinical trial accruals, assumptions used in estimating the fair value of stock-based compensation expense and other contingencies. The Company's assumptions regarding the measurement of the Series D 2X liquidation preference and stock-based compensation are more fully described in Note 5 — Fair Value of Financial Instruments and Note 11 — Stock-based Compensation, respectively. The Company bases its estimates on historical experience and other market-specific or other relevant assumptions that it believes to be reasonable under the circumstances and adjusts when facts and circumstances dictate. The estimates are the basis for making judgments about the carrying values of assets and liabilities and recorded expenses that are not readily apparent from other

sources. As future events and their effects cannot be determined with precision, actual results may materially differ from those estimates or assumptions.

Segment Reporting

Operating segments are identified as components of an enterprise about which separate discrete financial information is available for evaluation by the chief operating decision-maker, who is the Chief Executive Officer (CEO) of the Company, in making decisions regarding resource allocation and assessing performance. The Company views its operations and manages its business in one operating segment.

Concentrations of Credit Risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist primarily of cash, cash equivalents and restricted cash. Deposits in the Company's checking and time deposit accounts are maintained in federally insured financial institutions in excess of federally insured limits. The Company invests in funds through a major U.S. bank and is exposed to credit risk in the event of default to the extent of amounts recorded on the consolidated balance sheets.

The Company has not experienced any losses in such accounts and believes it is not exposed to significant concentrations of credit risk on its cash, cash equivalents and restricted cash balances due to the financial position of the depository institutions in which these deposits are held.

Significant Accounting Policies

There have been no changes to the significant accounting policies that were described in Note 2 to the 2018 Audited Financial Statements during the first three months of fiscal year 2019, except the accounting policy for leases as disclosed below.

On January 1, 2019 (Adoption Date), the Company adopted Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842*) (ASU No. 2016-02), as amended, using the modified retrospective approach, which provides a method for recording existing leases at adoption and does not require recasting comparative financial information. The Company also elected the package of practical expedients permitted under the transition guidance under ASU No. 2016-02*,* which among other things, allowed the Company to not reassess the lease classification for any existing leases, whether any expired or existing contracts are or contain leases and initial direct costs for any existing leases. The Company did not elect the hindsight practical expedient to determine the lease term for existing leases. In addition, the Company elected the additional transition method permitted under ASU No. 2018-11 (*Leases (Topic 842): Targeted Improvements,* under which the Company initially applied the new lease standard, Accounting Standards Codification (ASC) 842, at adoption and there was no cumulative-effect adjustment to the opening balance of retained earnings on January 1, 2019. For the comparative period presented in this Quarterly Report, lease related disclosures continue to be in accordance with the legacy GAAP, ASC 840.

The Company determines if an arrangement is a lease or implicitly contains a lease at inception based on the definition in accordance with ASC 842. Operating leases are included in operating lease right-of-use (ROU) assets and operating lease liabilities in its condensed consolidated balance sheets. ROU assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date or the Adoption Date for existing leases based on the present value of lease payments over the lease term using an estimated discount rate. As the Company's leases do not provide an implicit rate, the Company used an incremental borrowing rate based on the information available at commencement date or the Adoption Date in determining the present value of lease payments over a similar term. In determining the estimated incremental borrowing rate, the Company considered a rate obtained from its primary banker for discussion purposes of a potential collateralized loan with a term similar to the lease term, the Company's historical borrowing capability in the market, and the Company's costs incurred for underwriting discounts and financing costs in its previous equity financing. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. Lease expense for lease payments is recognized on a straight-line basis over the lease term. Lease and non-lease components within a contract are generally accounted for separately.

Operating lease right-of-use assets and operating lease liabilities were $0.6 million and $0.8 million, respectively, at March 31, 2019. Adoption of the new standard did not materially impact the Company's condensed consolidated statement of operations and cash flows. See Note 6 - Commitments and Contingencies for more detail discussions on leases and financial statements information under ASC 842.

Cash, Cash Equivalents and Restricted Cash

Cash and cash equivalents consist of readily available cash in checking and money market accounts. Restricted cash consists of cash held in monthly time deposit accounts, which are collateral for the Company's credit cards and facility leases.

The following table provides a reconciliation of cash, cash equivalents and restricted cash, reported within the condensed consolidated statements of cash flows (in thousands):

	Three Months Ended March 31,	
	2019	2018
Cash and cash equivalents	$ 184	$ 5,029
Restricted cash	416	569
Total cash, cash equivalents and restricted cash presented in the condensed consolidated statements of cash flows	$ 600	$ 5,598

Net Loss Per Share

Basic net loss per common share is calculated by dividing the net loss attributable to common stockholders by the weighted-average number of common shares outstanding during the period, without consideration for potentially dilutive securities. Diluted net loss per share is computed by dividing the net loss attributable to common stockholders by the weighted-average number of common shares and potentially dilutive securities outstanding for the period determined using the treasury-stock and if-converted methods. For purposes of the diluted net loss per share calculation, potentially dilutive securities are excluded from the calculation of diluted net loss per share because their effect would be anti-dilutive and, therefore, basic and diluted net loss per share were the same for all periods presented. Potentially dilutive securities excluded from the calculation of diluted net loss per share are summarized in the table below. For the three months ended March 31, 2019, the shares in the table also included 1,013,375 shares of options granted out of the share reserve increase approved by the board of directors under the Amended and Restated 2014 Plan (as defined below) on November 28, 2018, and are subject to the Company obtaining the requisite stockholder approval (the Contingent Options) at the 2019 annual meeting to be held on June 5, 2019.

	Three Months Ended March 31,	
	2019	2018
Unvested restricted common stock subject to repurchase	510,500	—
Options to purchase common stock	5,767,002	398,960
Warrants to purchase common stock	3,587,853	2,011,875
Total	9,865,355	2,410,835

Recently Adopted Accounting Pronouncements

The Company qualifies as an "emerging growth company" (EGC) pursuant to the provisions of the Jumpstart Our Business Startups (JOBS) Act and expects to continue to qualify as an EGC until December 31, 2019. Section 7(a)(2)(B) of the Securities Act of 1933, as amended, permits EGCs to defer compliance with new or revised accounting standards until non-issuers are required to comply with such standards. However, the Company elected not to take advantage of the extended transition period for implementation of new or revised financial accounting standards, and as a result, the Company will comply with new or revised accounting standards on the relevant dates on which adoption of such standards is required for non-emerging growth companies.

As described above, on January 1, 2019, the Company adopted ASU No. 2016-02, as amended, applying the practical expedients as a package allowed under the transition guidance.

Recently Issued Accounting Pronouncements — Not Yet Adopted

In August 2018, the FASB issued ASU No. 2018-13, *Fair Value Measurement (Topic 820)* (ASU No. 2018-13), which removes, modifies and adds certain disclosure requirements on fair value measurements in Topic 820. ASU No. 2018-13 will be effective for the Company beginning January 1, 2020. Early adoption is permitted. The Company is in the process of evaluating the impact of this standard on disclosures in its consolidated financial statements.

3. Merger and Related Transactions

As described in Note 1 - Description of Business and Basis of Presentation, Private Evofem merged with the Company effective on the Closing Date. The Merger was accounted for as a reverse recapitalization with Private Evofem treated as the accounting acquirer pursuant to ASC 805- *Business Combinations.* Under reverse recapitalization accounting, the accounting acquirer shall measure the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree at their acquisition-date fair values.

The following transactions were completed with the Merger and recorded by the Company:

- Recorded Neothetics' assets and liabilities at fair value as of the Closing Date, including $1.9 million cash and cash equivalents, $0.5 million prepaids and other current assets, $0.4 million current and noncurrent liabilities and $1.9 million common stock (Neothetics had 2,308,430 shares of common stock outstanding as of the Closing Date on a post-split basis at par value of $0.0001 per share) and additional paid-in capital (including the reclassification of Neothetics' historical accumulated deficit into additional paid-in capital);

- Converted each share of Private Evofem's capital stock including its Series A convertible preferred stock, Series B convertible preferred stock, Series C-1 convertible preferred stock and Series C convertible preferred stock into the Company's common stock on a one-for-one basis effecting the merger exchange ratio of 0.1540, subject to adjustment for the Reverse Stock Split (the Exchange Ratio) and the Reverse Stock Split for an aggregate of 1,027,079 shares. Upon such conversion, reclassified the net proceeds from issuance of these preferred stocks to common stock at par value and additional paid-in capital, net of par value;

- Cancelled 122,149 shares of unvested restricted common stock;

- Issued warrants for the purchase up to an aggregate of 3,980,437 shares of common stock to funds affiliated with Invesco Ltd. (the Invesco Warrants), which were immediately net exercised on a cashless basis for 3,968,473 shares of common stock;

- Converted 80 shares of Private Evofem's Series D redeemable convertible preferred stock (Series D) into 6,878,989 shares of the Company's common stock, including:

    i. Adjustment for the final change in fair value of Private Evofem's Series D 2X liquidation preference;

    ii. Redemption of the Series D 2X liquidation preference upon conversion;

    iii. Private Evofem's Series D Warrant Rights (as defined below) were assumed by the Company and exchanged for three shares of the Company's common stock and warrants for the purchase of 2,000,000 shares of the Company's common stock (the WIM Warrants). The Company recorded the fair value of the WIM Warrants and related capital contribution upon issuance of the WIM Warrants; and

    iv. Recording cash dividends between January 6, 2018 and the Closing Date, which was paid upon closing of the Merger to Woodford Investment Management Ltd (WIM).

- The Company effected the Reverse Stock Split, and thus the Company adjusted common stock and additional paid-in capital associated with shares issued in connection with the Merger due to the 6:1 reverse stock split, which the Company has affected in the amounts described within this footnote;
- The Company assumed options to purchase Private Evofem common stock that were outstanding and unexercised as of immediately prior to the Merger (the Private Evofem Plan Options). The Private Evofem Plan Options were converted into options to purchase 159,325 shares of the Company' common stock, as adjusted for the Exchange Ratio and Reverse Stock Split, at a weighted average price of $56.72; and
- Sold 1,614,289 shares of the Company's common stock in a private placement for gross proceeds of $20.0 million.

4. Balance Sheet Details

Prepaid and Other Current Assets

Prepaid and other current assets consist of the following (in thousands):

	March 31, 2019	December 31, 2018
Flex note receivable [1]	$ 250	$ 250
Insurance	235	199
Clinical supplies	61	62
Rent	66	66
Deferred financing costs	68	—
Other receivable from related parties	3	11
Other	130	129
Total	$ 813	$ 717

[1] In June 2016, Private Evofem's board of directors committed to a plan to sell its Softcup line of business (Softcup) and re-direct its available cash resources to further develop Amphora. In July 2016, the Company entered into an Asset Purchase Agreement with The Flex Company (Flex), whereby Flex would acquire certain assets and assume certain liabilities associated with Softcup. Total consideration for the Softcup sale was $1.9 million, with $0.6 million received in cash at closing and the remaining $1.3 million due and payable under a note in favor of the Company (the Flex Note) through January 1, 2021 (the Maturity Date). The Flex Note bears simple interest at a rate of 5.0% per annum on the remaining principal amount outstanding. An annual principal payment of approximately $0.3 million and the annual accrued and unpaid interest are payable each January 1, beginning in 2017 through the Maturity Date.

The Flex Note is secured by the Softcup assets and has been recorded at present value. The Company's incremental borrowing rate and the stated interest rate of the Flex Note are materially consistent.

Property and Equipment, Net

Property and equipment, net, consists of the following (in thousands):

	Useful Life	March 31, 2019	December 31, 2018
Research equipment	5 years	$ 639	$ 639
Computer equipment and software	3 years	13	13
Office furniture	5 years	205	205
Leasehold improvements	5 years or less	340	340
		1,197	1,197
Less: accumulated depreciation		(670)	(604)
Total, net		$ 527	$ 593

Depreciation expense was $66,000 and $65,000 for the three months ended March 31, 2019 and 2018, respectively.

Other Noncurrent Assets

Other noncurrent assets consist of the following (in thousands):

	March 31, 2019	December 31, 2018
Flex note receivable, net of current portion	$ 250	$ 500
Prepaid Directors & Officers insurance	399	439
Total	$ 649	$ 939

Note Payable

On December 5, 2018, the Company entered into a promissory note (Note) with our clinical research organization (CRO) for AMPOWER, where the Company agreed to pay the CRO on invoiced amounts totaling approximately $4.0 million for clinical trial related services and had a due date of February 15, 2019. Any matured and unpaid amounts pursuant to this Note bear an annual interest rate of the lesser of 1% per month or the maximum amount permitted by the Laws of the State of Massachusetts.

In late February 2019, the Company amended the Note, which extended the due date to April 15, 2019. All other terms and conditions under the initial Note remained the same. In April 2019, the Company paid the Note in full.

Accrued Expenses

Accrued expenses consist of the following (in thousands):

	March 31, 2019	December 31, 2018
Clinical studies	$ 9,414	$ 9,153
Sublicense fees payable to related parties	1,117	1,117
Accrued interest on unpaid sublicense fees payable to related parties	174	174
Legal and other professional fees	509	549
Accrued franchise tax	50	188
Deferred financing costs	130	127
Board of directors' fees and related expenses	159	67
Other	93	138
Total	$ 11,646	$ 11,513

5. Fair Value of Financial Instruments

The fair values of the Company's assets, including the money market fund and Flex Note receivable, measured on a recurring basis are summarized in the following tables, as applicable (in thousands):

	March 31, 2019	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market fund [1]	$ 14	$ 14	$ —	$ —
Flex note receivable	500	—	500	—
Total assets	514	14	500	—

	December 31, 2018	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market fund [1]	$ 154	$ 154	$ —	$ —
Flex note receivable	750	—	750	—
Total assets	904	154	750	—

[1] Included as a component of cash and cash equivalents on the accompanying condensed consolidated balance sheet.

Series D 2X liquidation preference is stated at fair value and is considered a Level 3 input because the fair value measurement is based, in part, on significant inputs not observed in the market. The Company determined the fair value of Series D 2X liquidation preference as described below.

The following table summarizes the changes in Level 3 financial liabilities measured at fair value on a recurring basis for the three months ended March 31, 2018 (in thousands). There were no Level 3 financial assets or liabilities measured on a recurring basis for the three months ended March 31, 2019.

	Series D 2X Liquidation Preference Liability
Balance at December 31, 2017	$ 79,870
Change in fair value of Series D 2X liquidation preference	130
Redemption of Series D 2X liquidation preference upon conversion of Series D	(80,000)
Balance at March 31, 2018	$ —

Series D 2X Liquidation Preference

As described in Note 2 to the 2018 Audited Financial Statements, under the terms of the Series D issued, in a liquidation transaction Private Evofem's Series D participated, prior and in preference to the other series of convertible preferred stock and common stock, at a rate of two times its initial investment, plus accrued and unpaid dividends (the Series D 2X Liquidation Preference). The Company determined the Series D 2X Liquidation Preference represented an embedded derivative, which required bifurcation and separate liability accounting and was initially recorded at fair value. See the *Series D Redeemable Convertible Preferred Stock* discussion in Note 8 — Convertible Preferred Stock for the terms of the Series D.

To determine the final fair value of the Series D 2X liquidation preference, the Company utilized a hybrid valuation model that considers the probability of achieving certain exit scenarios, the Company's cost of capital, the estimated period the Series D 2X liquidation preference would be outstanding, consideration received for the instrument with the Series D 2X liquidation preference and at what price and changes, if any, in the fair value of the underlying instrument to the Series D 2X liquidation preference. At December 31, 2017, the most significant assumption was the probability of occurrence, which was concluded to be high, and as a result the fair value as of December 31, 2017 approximated the final redemption value.

In connection with the Merger, Private Evofem converted 80 shares of Series D into the Company's common stock. The valuations resulted in a concluded fair value of the Series D 2X liquidation preference of $80.0 million as of the Closing Date, which was reclassified from a Series D 2X liquidation preference to additional paid-in capital upon the conversion into the Company's common stock.

The change in fair value of the Series D 2X liquidation preference for the three months ended March 31, 2018 was $0.1 million. There was no such change for the three months ended March 31, 2019 as the Series D was converted into common stock in connection with the Merger.

6. Commitments and Contingencies

Operating Leases

2015 Lease

Effective January 30, 2015, Private Evofem entered into a sublease for office space under a noncancelable lease agreement that expires in March 2020 (the 2015 Lease), which is the Company's primary office space. The sublease provides for two renewal periods of five years each, but the sub-lessor is not expected to renew its lease. In lieu of paying a security deposit directly to the sub-lessor, the Company maintains a time deposit in favor of the sub-lessor (the Deposit), which is included in restricted cash in the condensed consolidated balance sheets. During months 13 through 58 of the 2015 Lease term, subject to certain restrictions, approximately $5,000 of the Deposit may be released each month through November 2019 and approximately $66,000 of the Deposit may be released each month between December 2019 and March 2020. As of March 31, 2019 and December 31, 2018, restricted cash maintained as collateral for the Company's Deposit was $0.3 million for both periods.

Concurrent with the execution of the 2015 Lease, Private Evofem entered into a sublease with WomanCare Global Trading, Inc. (WCGT) whereby WCGT agreed to sublease approximately 25% (subject to annual adjustment), as amended, of the Company's primary office space aforementioned (the WCG Sublease). The Company remains the primary obligor under the WCG Sublease and records all sublease income as a reduction of rent expense in the condensed consolidated statements of operations. WCGT paid an initial security deposit of approximately $0.3 million (the WCG Security Deposit). Effective April 1, 2018, the WCG Sublease was reassigned from WCGT to WCG Cares, whereby WCG Cares agreed to pay the Company 20% of the overall lease payment under the 2015 Lease. All terms and conditions remain the same as the original WCG Sublease. The remaining WCG Security Deposit totaled approximately $0.2 million was repaid to WCGT in June 2018. The Company terminated the WCG Sublease in the fourth quarter of 2018. There were no sublease payments received pursuant to the WCG Sublease during the three months ended March 31, 2019 and 2018.

Leased Space

In August 2017, the Company entered into a manufacturing and supply agreement with an outside supplier for non-recoverable expenses incurred by the supplier during non-commercial periods for a term of one year from August 2017. This agreement was further renewed by both parties to cover the period from August 2018 to late 2019. Under the agreement, the supplier provides a dedicated packaging space for the Company with a fixed monthly cost. The Company determined that this dedicated space is accounted for as an operating lease under *ASC 842 Leases.*

Supplemental Financial Statements Information

Lease Assets and Liabilities (in thousands)	March 31, 2019
Operating right-of-use assets	$ 645
Operating lease liabilities	772

Lease Cost (in thousands)	Classification	March 31, 2019	March 31, 2018
Operating lease expense	Research and development	$ 82	$ 43
Operating lease expense	General and administrative	109	$ 115
Total		**$ 191**	**$ 158**

Lease Term and Discount Rate	March 31, 2019
Weighted average remaining lease term (in years)	0.98
Weighted average discount rate	12%

Maturity of Operating Lease Liabilities (in thousands)	March 31, 2019
Year ending December 31, 2019	$ 621
Year ending December 31, 2020	201
Total lease payments	822
Less: imputed interest	(50)
Total	**$ 772**

Maturity of Operating Lease Liabilities under the 2015 Lease (in thousands)	December 31, 2018
Year ending December 31, 2019	$ 777
Year ending December 31, 2020	201
Total	**$ 978**

Other information (in thousands)	Three Months Ended March 31, 2019
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	$ 213

Contingencies

From time to time the Company may be involved in various lawsuits, legal proceedings or claims that arise in the ordinary course of business. There were no claims or actions pending against the Company as of March 31, 2019 and December 31, 2018, which management believes would have, individually or in the aggregate, a material adverse effect on its business, liquidity, financial position, results of operations or cash flows. However, litigation is subject to inherent uncertainties and an adverse result in these or other matters may arise from time to time that may harm the Company's business.

Intellectual Property Rights

In 2014, Private Evofem entered into an amended and restated license agreement with Rush University (the Rush License Agreement) pursuant to which Rush University granted Private Evofem an exclusive, worldwide license of certain patents and know-how, related to its MVP-R technology authorizing Private Evofem to make, distribute and commercialize products and processes for any and all therapeutic, prophylactic and/or diagnostic uses, including, without limitation, use for female vaginal health and/or birth control.

The Company may be obligated to pay an earned royalty based upon a percentage of net sales in the range of mid-single digits. Commencing on January 1 of year three after a product has received regulatory approval and has been introduced to market, the Company may become obligated to pay minimum annual royalties, to the extent the earned royalty or sublicensing fees, as applicable, do not exceed the minimum annual royalties.

In October 2015, the Company's subsidiaries, ENA and EP entered into separate sublicense agreements (the Sublicenses) with WomanCare Global Trading CIC (WCGCIC) for a contraceptive vaginal ring. In August 2016, ENA, EP and WCGCIC entered into a side letter to modify the timing of the 2016 and 2017 payments due under the Sublicenses. On an aggregate basis, consideration under the Sublicenses consisted of (i) payments or potential payments to the licensor of (a) an upfront payment of $10.0 million, (b) potential regulatory and commercial milestone payments up to $32.0 million, (c) potential royalty payments

on net product sales and (d) potential royalty payments on net sales of an equivalent generic product and (ii) $5.0 million in annual sublicense fees through October 1, 2019 to WCGCIC. In December 2016, under the terms of the Sublicenses, ENA and EP provided 90-days written notice of termination of the Sublicenses to WCGCIC, which period concluded on March 28, 2017.

During the quarter ended March 31, 2019, the Sublicenses were cancelled, upon which, the unpaid sublicense fees ceased accruing interest and all accrued sublicense fees and interest expense were transferred and became payable to WCG Cares. As of March 31, 2019 and December 31, 2018, the Company had accrued sublicense fees and accrued interest expense on unpaid sublicense fees of approximately $1.1 million and $0.2 million, respectively, for both periods, which are included in the condensed consolidated balance sheets. See Note 7 – Related-party Transactions for a summary of the Company's transactions with WCGCIC, WomanCare Global International, a non-profit organization registered in England and Wales (WCGI) and related entities, and WCG Cares.

7. Related-party Transactions

Consulting Agreements

Effective April 1, 2016, Private Evofem entered into a one-year consulting agreement (the 2016 Consulting Agreement) with Thomas Lynch, the chairman of the Company's board of directors. Pursuant to the 2016 Consulting Agreement, Mr. Lynch provides consulting services with respect to investor relations and business development activities as requested from time to time. Pursuant to the 2016 Consulting Agreement, Mr. Lynch (i) received compensation of approximately $0.4 million, including $0.1 million related to his board services, (ii) received a stock option for the purchase of 3,850 shares of common stock with an exercise price of $46.36 per share, which vest over a one-year period through March 1, 2017 and (iii) was issued a restricted stock unit (RSU) for the rights to 2,566 shares of common stock. Upon the closing of the Merger, Mr. Lynch agreed to cancel all of his unvested RSU received pursuant to the 2016 Consulting Agreement. See *Restricted Stock Units* discussion in Note 11 — Stock-based Compensation for the accounting treatment for Mr. Lynch's RSU granted in 2016. On July 2, 2018, under the Amended and Restated 2014 Plan (as defined below), the Company issued 150,000 RSUs to Mr. Lynch in consideration for certain consulting services provided to the Company in connection with the 2016 Consulting Agreement. The RSUs were fully vested on the grant date.

In August 2017, Private Evofem and Mr. Lynch entered into a two-year consulting agreement (the 2017 Consulting Agreement), which was effective as of April 1, 2017. This 2017 Consulting Agreement provides for (i) annual compensation of $0.4 million, including $0.1 million related to his board services and (ii) a stock option for the purchase of 6,416 shares of common stock that vests quarterly through March 31, 2018, which remained unissued at the time of the Merger. On March 12, 2018, the Company issued a stock option for the purchase of 225,000 shares of the Company's common stock with an exercise price of $7.29 per share in lieu of the unissued stock option pursuant to the 2017 Consulting Agreement, of which 125,000 vested on the grant date and the remaining shares shall vest in a series of twelve successive equal monthly installments upon completion of each additional month of service measured from April 1, 2018. The option was awarded in connection with Mr. Lynch's consulting services for the Company for the fiscal years 2016 to 2018. On July 31, 2018, the Company issued additional stock options for the purchase of 85,500 shares of the Company's common stock with an exercise price of $2.10 per share pursuant to the 2017 Consulting Agreement, which vest in a series of 36 successive equal monthly installments upon completion of each additional month of service measured from the grant date.

Consulting fees incurred under the 2017 Consulting Agreements were approximately $70,000 for both the three months ended March 31, 2019 and 2018. On July 31, 2018, the Compensation Committee, with the authorization of the board of directors, approved a one-time, discretionary cash bonus award to Mr. Lynch in the amount of $50,000. As of March 31, 2019 and December 31, 2018, accrued compensation, excluding board fees, owed to Mr. Lynch was $0.1 million for both periods. The 2017 Consulting Agreement expired in accordance with its terms on March 31, 2019.

Effective April 1, 2019, the Company entered into a new two-year consulting agreement with Mr. Lynch (the 2019 Consulting Agreement). The 2019 Consulting Agreement provides for (i) annual compensation of $0.4 million, including $0.1 million related to Mr. Lynch's board services, (ii) an annual grant of 150,000 RSUs, which shall vest quarterly over one year from April 1, 2019 and (iii) an annual bonus of up to 100% of Mr. Lynch's annual consulting fees based upon the achievement of the Company's corporate goals and objectives as determined by and subject to approval of the Board of Directors.

Transactions with WCGI and Related Entities

From 2009 to 2016, Ms. Saundra Pelletier was the founding CEO of WCGI. In February 2013, Private Evofem and WCGI formed an alliance (the WCGI Alliance) and Ms. Pelletier also became Private Evofem's CEO. Concurrent with the forming of the WCGI Alliance, Private Evofem and WCGI entered into (i) a service agreement to which the companies shared resources and employees and (ii) a three-year grant agreement under which the Private Evofem provided funding of $4.0 million per year to WCGI.

From 2011 to 2017, Ms. Pelletier served as a director of the board of WCGT, a WCGI subsidiary. As described in Note 6 — Commitments and Contingencies, (i) effective in February 2015, Private Evofem and WCGT, entered into a sublease for office space, which was terminated and reassigned to WCG Cares effective April 1, 2018, and (ii) in October 2015, (a) Private Evofem, through its wholly-owned subsidiaries, entered into two sublicense agreements whereby Private Evofem was responsible for paying $5.0 million in annual sublicense fees, net of amounts paid under the grant agreement during 2015, to WCGCIC, also a WCGI affiliate, and (b) the service and grant agreements were canceled.

Effective January 2016, Private Evofem and WCGI entered into a shared-services agreement (the SSA), which replaced the prior service agreement. Under the terms of the SSA, Private Evofem and WCGI cross charge the other company's services provided by each entity on behalf of the other. The SSA also allows for netting of due to and due from shared-services fees. Services provided under the SSA on behalf of WCGI totaled approximately $0.1 million for the three months ended March 31, 2018, and were immaterial for the three months ended March 31, 2019. As of March 31, 2019 and December 31, 2018, net shared-services due to the Company were immaterial for both periods.

The following table summarizes receivables, payables, payments and expenses related to the Company's transactions with WCGI related entities as of and for the three months ended March 31, 2018 (in thousands). Such amounts were immaterial as of and for the three months ended March 31, 2019, and all accrued sublicense fees and interest expense related to the Sublicenses as of December 31, 2018 became payable to WCG Cares during the quarter ended March 31, 2019.

		2018
Receivables	$	109
Payables	$	2,107
Payments	$	—
Expenses	$	31

Transactions with WCG Cares

In 2013, WCG Cares, a 501(c)(3) nonprofit organization was incorporated under the laws of the State of California. Its primary purpose is to directly engage in and/or fund the development and implementation of programs that promote reproductive health, education, research and increased access to high-quality, innovative and affordable reproductive healthcare and healthcare products around the world. Ms. Pelletier served as the CEO and President of WCG Cares from 2013 to November 2017. She became a member of its board in November 2017 and served as chair of its board of directors from November 2017 to May 2018. Additionally, Mr. Justin J. File served as WCG Cares' Chief Financial Officer from November 2017 to May 2018. Since November 2017, Dr. Kelly Culwell has served as WCG Cares' Chief Medical Officer. Dr. Culwell also became a director of its board in January 2019 with a term of three years until December 31, 2021. See shared-services agreement discussion below.

The Company agreed to be a corporate sponsor of WCG Cares' U.S. education campaign, the Tryst Network, which officially launched in February 2018. The Company paid WCG Cares a one-time payment of $0.3 million in March 2018 in connection with this corporate sponsorship of the Tryst Network. During the second quarter of 2018, the Company ceased its corporate sponsorship of the Tryst Network.

In March 2018, the Company and WCG Cares entered into a shared-services agreement (the Cares Shared Services Agreement). Under the terms of the Cares Shared Services Agreement, the Company and WCG Cares cross charge services provided by each entity (or its subsidiaries) on behalf of the other. The Cares Shared Services Agreement also allows for netting of due to and due from shared-services fees. As of March 31, 2019 and December 31, 2018, net shared-services due to the Company were immaterial for both periods.

The following table summarizes receivables, payables, payments and expenses related to the Company's transactions with WCG Cares as of and for the three months ended March 31, 2019 and 2018, respectively (in thousands).

		2019		2018
Receivables	$	2	$	27
Payables	$	1,291	$	155
Payments	$	—	$	300
Operating expense	$	—	$	280

Variable Interest Entity Considerations

Due to shared management and numerous agreements between the Company and WCGI and the Company and WCG Cares, management reviewed its relationship with both WCGI and its subsidiaries and WCG Cares in accordance with the

authoritative guidance for variable interest entities within ASC 810 - *Consolidation*. The Company concluded that due to WCGI's and WCG Cares' status as not-for-profit entities, the scope exception from qualifying as a variable interest entity was met and, therefore, the Company is not required to consolidate WCGI or WCG Cares.

8. Convertible Preferred Stock

Immediately prior to the Merger, as described in Note 1- Description of Business and Basis of Presentation, each share of Private Evofem's capital stock (other than Private Evofem's Series D), including its Series A convertible preferred stock, Series B convertible preferred stock, Series C-1 convertible preferred stock and Series C convertible preferred stock was converted into shares of the Company's common stock on a one-for-one basis effecting the Exchange Ratio and the Reverse Stock Split for an aggregate of 1,027,079 shares. In addition, each share of Private Evofem's Series D was converted into approximately 85,987 shares of the Company's common stock for an aggregate of 6,878,989 shares. As of March 31, 2019 and December 31, 2018, no shares of convertible preferred stock were issued and outstanding.

Dividends on the Series D were payable (i) upon conversion, (ii) redemption or (iii) liquidation. As such, although the Company's board of directors had not declared dividends, the Company accrued dividends on the Series D. Upon closing of the Merger, the Company paid cash dividends of $0.2 million for the accrued dividends only for the period of January 6, 2018 to the Closing Date and the accrued and unpaid dividends of $5.2 million as of December 31, 2017 were reclassified to additional paid-in capital upon conversion of 80 shares of Series D into common stock.

The designated, issued and outstanding shares of convertible preferred stock, by series, as of December 31, 2017 were as follows (aggregate liquidation amount and proceeds, net of issuance costs, in thousands):

	Shares Designated	Original Issue Price	Shares Issued and Outstanding	Common Stock Equivalents (1)	Aggregate Liquidation Amount	Proceeds, Net of Issuance Costs
Series A	12,768,492	$ 1.9579445	12,618,279	12,618,279	$ 24,706	$ 23,848
Series B	31,034,696	$ 3.2222	13,801,318	13,801,318	44,471	43,616
Series C-1	8,660,572	$ 3.97	8,558,686	8,558,686	33,978	34,382
Series C	5,037,784	$ 3.97	5,037,784	5,037,784	20,000	19,469
Series D (2)(3)	80	$ 500,000	80		85,160	39,739
Total	57,501,624		40,016,147		$ 208,315	$ 161,054

(1) The Series D shares were convertible into shares in the next equity financing (either preferred or common) at a 50% discount to the fair value price per share of the shares to be issued in the next financing, therefore, the Series D common stock equivalents and the totals for common stock equivalents have been left blank.

(2) Aggregate liquidation amount included accrued and unpaid dividends of $5.2 million as of December 31, 2017.

(3) Proceeds, net of issuance costs, included $35.0 million in cash and $5.0 million from the conversion of the Amended Cosmederm Note (see more discussions below) less issuance costs of approximately $0.3 million. This line excluded the Series D 2X liquidation preference net issuance price of $18.2 million, the loss on the issuance of Series D of $35.2 million, loss on extinguishment of related-party note payable of $6.7 million and accrued Series D dividends of $5.2 million.

Private Evofem and Cosmederm entered a promissory note during 2015, which was amended in July 2016 in conjunction with the Private Evofem's Series D financing (the Amended Cosmederm Note). Cosmederm assigned the Amended Cosmederm Note with the then outstanding principal balance of $10.0 million to WIM. As a condition to closing the Private Evofem's Series D, WIM immediately converted $5.0 million of the Amended Cosmederm Note into 10 shares of the Private Evofem's Series D and canceled the remaining $5.0 million.

Series D

In July 2016, Private Evofem entered into a Series D purchase agreement with WIM, which was subsequently amended in July 2017 to increase the number of authorized preferred stock for issuance (as amended, the Series D SPA). The Series D SPA authorized the issuance and sale of an aggregate of 80 shares of Series D, which was sold at an issuance price per share of $500,000. WIM also received the right to receive warrant shares to be determined in the next equity financing (Warrant Rights). See *Warrant Rights* discussion below.

Warrant Rights

Upon completion of the Merger, Private Evofem's Series D Warrant Rights were assumed by the Company and exchanged for an aggregate of three shares of the Company's common stock and the WIM Warrants to purchase up to 2,000,000 shares of the Company's common stock. The shares of common stock issued in connection with the WIM Warrants may not be transferred separately from the WIM Warrants. The WIM Warrants became exercisable on January 17, 2019 and remain exercisable until the earlier of January 18, 2022 or immediately prior to the completion of an acceleration event, as defined therein, and have an exercise price of $8.35 per share.

The Company determined that the WIM Warrants are free standing financial instruments and classified as equity in accordance with ASC 480— *Distinguish Liabilities from Equity.* To determine the fair value of the WIM Warrants, the Company utilized the Black-Scholes-Merton (BSM) option-pricing model, where the warrants exercise price was determined based on a Monte Carlo simulation. The valuations resulted in a concluded fair value of the WIM Warrants of $14.1 million as of January 18, 2018, which was recorded as additional paid-in capital in the condensed consolidated balance sheet.

On February 5, 2019, the Company entered into letter agreements (the Repricing Letter Agreements) with WIM and certain other holders of outstanding warrants to purchase common stock of the Company. Upon execution of the Repricing Letter Agregments, investment funds affiliated with WIM exercised certain WIM Warrants to purchase an aggregate of 1,525,000 shares of common stock at a reduced exercise price of $2.64 per share. The Company determined that the incremental fair value as a result of the modification to these WIM Warrants from change of the exercise price was approximately $1.4 million, which was recorded as change in fair value of warrants in the condensed consolidated statement of operations.

9. Public Offering

On May 24, 2018, the Company completed an underwritten public offering (the Offering), whereby the Company issued 7,436,171 shares of common stock at a public offering price of $4.69 per share and pre-funded warrants to purchase 1,063,829 shares of common stock at a public offering price of $4.68 per warrant and an exercise price of $0.01 per share. Each share of common stock and each pre-funded warrant was issued together with a common warrant to purchase one-fifth of a share of the Company's common stock at a public offering price of $0.01 per warrant and an exercise price of $7.50 per share. An aggregate of 8,500,000 common warrants were issued in connection with the Offering and are exercisable to purchase an aggregate of 1,700,000 shares of common stock. The common warrants issued to the three funds affiliated with WIM that participated in the Offering were issued as a unit with one share of common stock totaling three unit shares in the aggregate (the Unit Shares). Except with respect to the Unit Shares, the shares of common stock, pre-funded warrants and common warrants are separately transferable. The Company determined that the pre-funded warrants and common warrants are free standing financial instruments and equity classified in accordance with ASC 480- *Distinguish Liabilities from Equity*.

The Company received proceeds from the Offering of approximately $37.5 million, net of underwriting discounts and commissions, but before deducting the estimated offering costs of $1.5 million. The estimated offering costs were recorded as contra additional-paid in capital in the condensed consolidated balance sheet. The common stock and warrants issued in the Offering were registered pursuant to a registration statement on Form S-1 filed with the SEC on May 16, 2018 and declared effective on May 21, 2018.

On June 26, 2018, the Company issued an additional 912 common warrants to purchase approximately 182 shares of common stock upon an underwriter's exercise of its overallotment option. The offering price and exercise price were the same as the common warrants issued on May 24, 2018. The net proceeds received from this issuance were immaterial.

Per the terms of the Repricing Letter Agreements, WIM and other holders of common warrants issued in the Offering exercised their common warrants to purchase an aggregate of 851,062 shares of common stock at a reduced exercise price of $2.64 per share. The Company determined that the incremental fair value as a result of the modification to these common warrants issued in the Offering from change of the exercise price was $0.5 million, which was recorded as change in fair value of warrants in the condensed consolidated statement of operations.

10. Stockholders' Deficit

Warrants

As referenced in Note 8- Convertible Preferred Stock and Note 9- Public Offering, warrants to purchase an aggregate of 2,376,062 shares of common stock were exercised at an exercise price of $2.64 per share per the Repricing Letter Agreements. The Company received gross proceeds of approximately $6.3 million from these exercises.

On February 8, 2019 and per the terms of the Repricing Letter Agreements, the Company issued warrants to purchase up to 1,188,029 shares of the Company's common stock (Reload Warrants) to the holders party to the Repricing Letter Agreements. The Reload Warrants have an exercise price of $5.20 per share. The Company determined the Reload Warrants are free standing financial instruments and equity classified in accordance with ASC 480— Distinguish Liabilities from Equity. Since these Reload Warrants were issued in addition to the reduced exercise price to induce Holders of WIM Warrants and common warrants to exercise their warrants, the Company determined the fair value of the Reload Warrants was also the incremental fair value as a result of the modification to the WIM warrants and common warrants exercised. To determine the fair value of the Reload Warrants, the Company utilized the BSM option-pricing model, which resulted in an estimated fair value of the Reload Warrants of $2.5 million, which was recorded as additional paid-in capital in the condensed consolidated balance sheet, and change in fair value of warrants in the condensed consolidated statement of operations.

As of March 31, 2019, warrants to purchase approximately 3,587,853 shares of the Company's common stock remain outstanding at a weighted average exercise price of $4.68 per share. These warrants include:

- WIM Warrants to purchase up to 475,000 shares of common stock as described in Note 8- Convertible Preferred Stock, which became exercisable on January 17, 2019 and shall remain exercisable for three years unless there is a completion of an acceleration event as defined by the WIM Warrants agreements;
- Warrants to purchase 11,875 shares of common stock that were issued prior to the Merger, which were exercisable as of March 31, 2019 and shall remain exercisable until 2020 (2,020 shares), 2022 (2,049 shares) and 2024 (7,806 shares);
- Pre-funded warrants to purchase 1,063,829 shares of common stock issued in the Offering as described in Note 9- Public Offering, which became exercisable on May 24, 2018 and will remain exercisable until shares are exercised;
- Common warrants to purchase 848,938 shares of common stock issued in the Offering, which were exercisable on May 24, 2018 and shall remain exercisable for seven years;
- Common warrants to purchase approximately 182 shares of common stock issued upon exercise of the underwriter's overallotment option, which became exercisable on June 26, 2018 and will remain exercisable for seven years; and
- Reload Warrants issued to purchase up to 1,188,029 shares of common stock at an exercise price of $5.20 per share, which became exercisable on February 8, 2019 and will remain exercisable for seven years.

Common Stock

Effective January 17, 2018 and in connection with the Merger, the Company amended and restated its certificate of incorporation, under which the Company is currently authorized to issue up to 300,000,000 shares of common stock, $0.0001 par value per share, and 5,000,000 shares of preferred stock, $0.0001 par value per share.

On February 5, 2019, the Company issued 2,376,062 shares of common stock upon the exercise of outstanding warrants in connection with the Repricing Letter Agreements. On February 8, 2019, the Company issued 3 shares of common stock to each of the investment funds affiliated with WIM in connection with the issuance of Reload Warrants. These shares issued to funds affiliated with WIM may not be transferred separately from the Reload Warrants issued to WIM. On February 25, 2019, the Company issued 470,500 shares of restricted stock pursuant to the Amended and Restated 2014 Plan (as defined below) and are further discussed in Note 11 - Stock-based Compensation.

Common Stock Reserved for Future Issuance

Common stock reserved for future issuance is as follows in common equivalent shares as of March 31, 2019:

Common stock issuable upon the exercise of stock options outstanding	5,767,002
Common stock issuable upon the exercise of common stock warrants	3,587,853
Common stock available for future issuance under the 2014 ESPP	377,497
Common stock available for future issuance under the Amended and Restated 2014 Plan	640,547
Total common stock reserved for future issuance	10,372,899

11. Stock-based Compensation

Equity Incentive Plans

The following table summarizes stock-based compensation expense related to stock options, restricted stock awards (RSAs) and RSUs granted to employees and non-employee directors included in the condensed consolidated statements of operations as follows (in thousands):

	Three Months Ended March 31,	
	2019	2018
Research and development	$ 288	$ 230
General and administrative	1,674	458
Total	$ 1,962	$ 688

In September 2012, Private Evofem adopted the 2012 Equity Incentive Plan (the 2012 Plan) that provides for the issuance of RSAs, RSUs, or non-qualified and incentive common stock options to its employees, non-employee directors and consultants, from its authorized shares. In general, the options expire ten years from the date of grant and generally vest either (i) over a four-year period, with 25% exercisable at the end of one year from the employee's hire date and the balance vesting ratably thereafter or (ii) over a three-year period, with 25% exercisable at the grant date and the balance vesting ratably thereafter. Upon completion of the Merger, Private Evofem's 2012 Plan was assumed by the Company and awards outstanding under the 2012 Plan became awards for the Company's common stock. Effective as of the Merger, no further awards may be issued under the 2012 Plan.

On September 15, 2014, Neothetics' board of directors adopted, and stockholders approved, the 2014 Equity Incentive Plan (the 2014 Plan). In May 2018, the Company's board of directors adopted, and stockholders approved, the amendment and restatement of the 2014 Plan of the Company (the Amended and Restated 2014 Plan), that, among other things, would increase the number of authorized shares under the 2014 Plan from 749,305 to an aggregate of 5,300,000 shares. On November 28, 2018, the Company's board of directors approved, subject to stockholder approval, and recommended its stockholders approve at the 2019 annual meeting, an additional 2,500,000 authorized shares reserved for issuance under the Amended and Restated 2014 Plan to an aggregate of 7,800,000 shares. In addition, per the terms of the Amended and Restated 2014 Plan, the shares reserved will automatically increase on each January 1 through 2024, by an amount equal to the smaller of (1) 4% of the number of shares of common stock issued and outstanding on the immediately preceding December 31; or (2) an amount determined by our Board of Directors. This provision resulted in an additional 1,034,689 shares added to the total number of authorized shares on January 1, 2019. As of March 31, 2019, there were 640,547 shares available to grant under the Amended and Restated 2014 Plan, which does not include the aforementioned 2,500,000 share increase and the 1,013,375 shares of Contingent Options.

On July 24, 2018, upon the recommendation by the Compensation Committee, the board of directors adopted the Evofem Biosciences, Inc. 2018 Inducement Equity Incentive Plan (the Inducement Plan), pursuant to which the Company reserved 250,000 shares for the issuance of equity awards under the Inducement Plan. The only persons eligible to receive awards under the Inducement Plan are individuals who satisfy the standards for inducement grant recipients under Nasdaq Marketplace Rule 5635(c)(4), generally, a person not previously an employee or director of the Company, or following a *bona fide* period of non-employment, as an inducement material to the individual's entering into employment with the Company. As of March 31, 2019, there were 156,000 shares available to grant under the Inducement Plan.

Stock Options

There were 59,000 and 3,136,030 shares of stock options granted during the three months ended March 31, 2019 and 2018, respectively. The stock options granted during the three months ended March 2018 were granted out of the share reserve increase approved by the board of directors under the Amended and Restated 2014 Plan on March 11, 2018, and were subject to the Company obtaining the requisite stockholder approval that was obtained on May 8, 2018.

As of March 31, 2019, unrecognized stock-based compensation expense for employees and non-employee stock options was approximately $3.7 million, which the Company expects to recognize over a weighted-average remaining period of 2.3 years, assuming all unvested options become fully vested.

Summary of Assumptions

The fair value of stock-based compensation for stock options granted to employees and non-employees was estimated on the date of grant using the BSM option pricing model based on the following weighted-average assumptions for options granted for the periods indicated. No fair value of stock-based compensation was estimated for the stock options granted during the

three months ended March 31, 2018 in accordance with ASC 718 — Compensation — Stock Compensation due to their contingent nature when they were granted.

	Three Months Ended March 31, 2019
Expected volatility	76.4%
Risk-free interest rate	2.5%
Expected dividend yield	—%
Expected term (years)	6.0

Expected volatility. The expected volatility assumption is based on volatilities of a peer group of similar companies whose share prices are publicly available. The peer group was developed based on companies in the biotechnology industry.

Risk-free interest rate. The risk-free interest rate assumption is based on observed interest rates appropriate for the expected term of the stock option grants.

Expected dividend yield. The expected dividend yield assumption is based on the fact that the Company has never paid cash dividends and has no present intention to pay cash dividends.

Expected term. The expected term represents the period options are expected to be outstanding. Because the Company does not have historical exercise behavior, it determines the expected term assumption using the practical expedient as provided for under ASC 718 — *Compensation — Stock Compensation*, which is the midpoint between the requisite service period and the contractual term of the option.

Restricted Stock Awards and Units

In September 2016, under the 2012 Equity Incentive Plan, Private Evofem issued an aggregate of 122,149 shares of restricted stock to members of management (the Management RSAs) with vesting terms subject to the completion of an initial public offering (IPO) by Private Evofem. In October 2016, as previously described in Note 7 — Related-party Transactions, Private Evofem issued an RSU for the right to 2,566 shares of common stock to the chairman of the Company's board of directors (the Chairman RSUs). Upon closing of the Merger, as described in Note 1 – Description of Business and Basis of Presentation, the members of management and the chairman of the board of directors agreed to cancel their RSAs and RSUs. As a result, all 122,149 shares of unvested Management RSAs and 2,566 shares of unvested Chairman RSUs were canceled in January 2018, and there was no unrecognized stock-based compensation expense related to the canceled Management RSAs and Chairman RSUs.

On February 25, 2019, under the Amended and Restated 2014 Plan, the Company issued an aggregate of 470,500 RSAs to its executive management team and certain non-executive employees, of which 460,500 shares will vest in accordance with the Company's achievement of certain performance milestones in 2019, and the remaining 10,000 shares will vest in full one year from the grant date. For the performance-based RSAs, (i) the fair value of the award was determined on the grant date, (ii) the Company assessed the probability of the individual milestone under the award being achieved and (iii) the fair value of the shares subject to the milestone is expensed over the implicit service period commencing once management believes the performance criteria is probable of being met. The non-performance based RSAs were valued at the fair value on the grant date and the associated expenses will be recognized over the vesting period.

The Company recognized $0.5 million stock-based compensation expense during the three months ended March 31, 2019 for the RSAs. As of March 31, 2019, unrecognized stock-based compensation expense related to the unvested RSAs was approximately $1.4 million, which the Company expects to recognize over a weighted-average remaining period of 0.4 year.

On April 1, 2019, under the Amended and Restated 2014 Plan, the Company issued 150,000 RSUs to the chairman of the Company's board of directors in consideration for certain consulting services provided to the Company in connection with the 2019 Consulting Agreement. The RSUs will vest quarterly over one year from the grant date.

Employee Stock Purchase Plan

In November 2014, Neothetics adopted the 2014 Employee Stock Purchase Plan (the ESPP), which enables eligible employees to purchase shares of its common stock using their after-tax payroll deductions of up to 15% of their eligible compensation, subject to certain restrictions.

The ESPP initially authorized the issuance of 28,333 shares of common stock pursuant to purchase rights granted to employees. The number of shares of common stock reserved for issuance automatically increased on January 1, 2015 and will continue to increase on each January 1 thereafter through January 1, 2024, by the smaller of (a) 1.0% of the total issued and outstanding shares on the preceding December 31, or (b) a number of shares determined by the board of directors of Neothetics.

The ESPP is intended to qualify as an employee stock purchase plan within the meaning of Section 423 of the Internal Revenue Code of 1986, as amended (the Code). Therefore, an additional 258,672 shares were added to the total shares authorized under the ESPP. As of March 31, 2019, there were 377,497 shares available for issuance under the ESPP.

The fair value of shares issued to employees under the ESPP is estimated using a BSM option-pricing model, which requires the use of subjective and complex assumptions, including (a) the expected stock price volatility, (b) the calculation of the expected term of the award, (c) the risk-free interest rate and (d) the expected dividend yield.

Following completion of the Merger, there was no enrollment in the ESPP. During the three months ended March 31, 2019 and 2018, there were no shares of common stock purchased under the ESPP.

12. Subsequent Events

Subsequent events were evaluated through the filing date of this Quarterly Report, May 7, 2019.

On April 10, 2019, the Company entered into a Securities Purchase Agreement (the Securities Purchase Agreement) with PDL BioPharma, funds discretionally managed by Invesco Ltd. (Invesco) and funds managed by WIM (collectively, the Purchasers), pursuant to which the Company may issue and sell an aggregate of up to $80 million of the Company's common stock, par value $0.0001 per share (the Shares) and warrants to purchase shares of common stock (collectively, the Securities) in a private placement (the Private Placement).

The Private Placement will occur in two closings. The first closing was completed on April 11, 2019 (the First Closing), pursuant to which the Company issued and sold to PDL BioPharma 6,666,667 shares of its common stock and warrants to purchase up to 1,666,667 shares of common stock for an aggregate purchase price of $30 million (the First Closing Securities), representing a purchase price of $4.50 per share of common stock. The warrants have an exercise price of $6.38 per share, a seven year term and will become exercisable at any time on or after the date that is six (6) months following their respective issuance dates.

Until June 10, 2019, the Purchasers have the right, but not the obligation, to purchase 11,111,111 additional shares of common stock and warrants to purchase up to an additional 2,777,779 shares of common stock for an aggregate purchase price of $50 million in a second closing (the Second Closing). The purchase price per share and warrant exercise price per share for securities sold in the Second Closing will be the same as those sold in the First Closing. If a Purchaser elects not to participate in the Second Closing, the other Purchasers will have a right to purchase the non-participating Purchaser's portion as further described in the Securities Purchase Agreement. The Second Closing is subject to customary conditions and to stockholder approval. The Company filed a proxy statement with the SEC for its 2019 Annual Meeting of Stockholders, pursuant to which it is seeking, among other things, stockholder approval of the issuance of the Securities pursuant to the Securities Purchase Agreement as required by Nasdaq Listing Rule 5635(b).

Upon completion of the First and Second Closing, the Company expects to receive net proceeds of approximately $27.5 million and $47.2 million, respectively, and to use these net proceeds for clinical research and development purposes, including resubmission of the New Drug Application (NDA) with the FDA and pre-commercialization activities, and for general corporate purposes. Upon completion of the First Closing, the Company paid $1.8 million in advisory fees to financial advisors in connection with the First Closing and expects to pay approximately $2.8 million in advisory fees to financial advisors upon completion of the Second Closing.

Upon and subject to the completion of the Second Closing, the previously issued WIM Warrants and Reload Warrants to purchase up to 475,000 shares and 1,188,029 shares of common stock, respectively, will be canceled.

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

The terms "we," "us," "our," "Evofem" or the "Company" refer collectively to Evofem Biosciences, Inc. and its wholly-owned subsidiaries, unless otherwise stated. All information presented in this Quarterly Report on Form 10-Q (Quarterly Report) is based on our fiscal year. Unless otherwise stated, references to particular years, quarters, months or periods refer to our fiscal years ending December 31 and the associated quarters, months and periods of those fiscal years.

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our condensed consolidated financial statements and the corresponding notes included elsewhere in this Quarterly Report. For additional context with which to understand our financial condition and results of operations, see the audited consolidated financial statements and accompanying notes contained therein as of December 31, 2018 and 2017 and related notes in our Current Report on Form 10-K as filed with the SEC on March 1, 2019 (the 2018 Audited Financial Statements). This discussion and analysis contains forward-looking statements that involve risks, uncertainties and assumptions. The actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors, including, but not limited to, those set forth under Item 1A of Part I of our Annual Report on Form 10-K for the year ended December 31, 2018 as filed with the SEC on March 1, 2019. Unless otherwise defined in this section, the defined terms in this section have the meanings set forth in the 2018 Audited Financial Statements.

Overview

We are a San Diego-based clinical-stage biopharmaceutical company committed to developing and commercializing innovative products to address unmet needs in women's sexual and reproductive health. We exist to advance the lives of women by developing innovative solutions, such as woman-controlled contraception and potential protection from certain sexually transmitted infections (STIs). Our lead Multi-purpose Vaginal pH Regulator ™ (MVP-R) product candidate, Amphora (L-lactic acid, citric acid, and potassium bitartrate), is in development for multiple potential indications: prevention of pregnancy, prevention of urogenital transmission of *chlamydia trachomatis* infection (chlamydia) in women and prevention of urogenital transmission of *Neisseria gonorrhoeae* infection (gonorrhea) in women.

Our second Phase 3 clinical trial for Amphora for prevention of pregnancy was an open-label, single-arm trial in approximately 1,400 women in the United States. We refer to this trial as AMPOWER. The last patient for AMPOWER exited the study in November 2018. We reported top-line data from AMPOWER in December 2018, which demonstrated a cumulative pregnancy rate of 14.0% over seven cycles of use (95% CI 10.0, 18.0) in the modified intention-to-treat population (referred to as "typical use") which meets the pre-determined endpoint of this clinical trial. This corresponds to an 86.0% efficacy rate. We plan to resubmit the New Drug Application (NDA) for AMPOWER to the United States Food and Drug Administration (FDA) in the second half of 2019. Subject to acceptance and timely approval of the NDA by the FDA, we plan to commercialize Amphora in 2020.

We are also conducting a Phase 2b clinical trial of Amphora for the prevention of urogenital transmission of chlamydia (primary endpoint) and gonorrhea (secondary endpoint) in women. We refer to this trial as AMPREVENCE. The primary endpoint of AMPREVENCE is 40% reduction in the incidence of chlamydia in women treated with Amphora versus placebo. As of March 31, 2019, AMPREVENCE was 100% enrolled at approximately 50 study centers in the United States and its top-line data are expected in fall 2019. We envision our STI program as developing label expansion opportunities to further differentiate Amphora from other currently approved birth control products.

In addition, our pipeline includes an MVP-R gel product candidate for reduction of recurrent bacterial vaginosis (BV). In our Phase 1 dose-finding trial for this indication, the highest dose formulation of Amphora demonstrated reduced vaginal pH for up to seven days following a single administration.

Since inception, we have devoted substantially all of our efforts on developing MVP-R product candidates, including conducting preclinical and clinical trials and providing general and administrative support for these operations. We do not have any approved products and have not generated any revenue from product sales. Although we have released top-line results from a second Phase 3 clinical trial for Amphora, the product has not yet been approved for use for prevention of pregnancy or any other targeted indications. Additionally, Amphora and our BV product candidate are still in mid- and early- stage clinical development for the prevention of certain STIs and for recurrent BV, respectively. We do not currently expect to generate any significant revenues prior to 2020. To finance our current strategic plans, including the conduct of ongoing and future clinical trials, further research and development activities and anticipated pre-commercialization activities in 2019, we will require significant additional capital. Assuming we have sufficient liquidity, we will incur significantly higher costs in the foreseeable future.

Merger

As previously discussed, on January 17, 2018 (the Closing Date), Neothetics, Inc. (Neothetics), now known as Evofem Biosciences, Inc., completed its reverse merger (the Merger) with privately-held Evofem Biosciences Operations, Inc. (Private Evofem) in accordance with the terms of an agreement and plan of merger and reorganization, dated October 17, 2017. Since Private Evofem was determined to be the accounting acquirer in connection with the Merger, it recorded Neothetics' assets and liabilities at fair value as of the Closing Date. To reflect the close of the Merger, we recorded the following items:

- Recorded Neothetics' assets and liabilities at fair value as of the Closing Date, including $1.9 million cash and cash equivalents, $0.5 million prepaids and other current assets, $0.4 million current and noncurrent liabilities and $1.9 million common stock (Neothetics had 2,308,430 shares of common stock outstanding as of the Closing Date on a post-split basis at par value of $0.0001 per share) and additional paid-in capital (including the reclassification of Neothetics' historical accumulated deficit into additional paid-in capital);
- Reclassified the net proceeds from Private Evofem's issuance of an aggregate of 40,016,067 shares of Private Evofem's convertible preferred stock to 1,027,079 shares of the Company's common stock, effecting the merger exchange ratio of 0.1540, subject to adjustment for the Reverse Stock Split (as defined below) (the Exchange Ratio) and the 6:1 reverse stock split of our common stock (the Reverse Stock Split), and additional paid-in capital, net of par value, upon conversion to the Company's common stock immediately prior to the closing of the Merger;
- Recorded the cancellation of 122,149 shares of the Company's unvested restricted common stock upon closing of the Merger;
- Recorded the issuance of 3,968,473 shares of the Company's common stock upon the cashless exercise of warrants (the Invesco Warrants) issued to funds affiliated with Invesco Ltd., immediately prior to the closing of the Merger and recognized the fair value of the Invesco Warrants upon issuance;
- Adjusted for the final change in fair value of Private Evofem's Series D 2X liquidation preference and reclassified the Series D 2X liquidation preference to additional paid-in capital upon conversion of 80 shares of Private Evofem's Series D redeemable convertible preferred stock (Series D) to 6,878,989 shares of the Company's common stock;
- Recorded the fair value of the warrants issued to funds affiliated with Woodford Investment Management Ltd (WIM) to purchase up to 2,000,000 shares of the Company's common stock (the WIM Warrants) and related capital contribution upon issuance of the WIM Warrants;
- Recorded cash dividends between January 6, 2018 and the Closing Date, paid upon closing of the Merger to WIM;
- Adjusted common stock and additional paid-in capital associated with shares issued in the Merger and Private Placement (as defined below) due to the 6:1 reverse stock split;
- Assumed options to purchase Private Evofem common stock that were outstanding and unexercised as of immediately prior to the Merger (the Private Evofem Plan Options). The Private Evofem Plan Options, were converted into options to purchase 159,325 shares of our common stock, as adjusted for the Exchange Ratio and Reverse Stock Split, at a weighted average price of $56.72; and
- Recorded $20.0 million in proceeds from the sale of 1,614,289 shares of our common stock in a private placement completed immediately after the closing of the Merger.

We historically have funded our operations primarily through sales of our common stock, convertible preferred stock, related-party advances and a note payable from Cosmederm Biosciences, Inc., a prior related party.

Private Placement

As described in Note 12- Subsequent Events, on April 10, 2019, we entered into the Securities Purchase Agreement with PDL BioPharma, Inc., a Delaware corporation (PDL BioPharma), funds discretionally managed by Invesco and funds managed by WIM (collectively, the Purchasers), pursuant to which we may issue and sell an aggregate of up to $80 million of our common stock, par value $0.0001 per share and warrants to purchase shares of common stock in a private placement (the Private Placement).

On April 11, 2019, the first closing was completed, pursuant to which we issued and sold to PDL BioPharma 6,666,667 shares of our common stock and warrants to purchase up to 1,666,667 shares of common stock for an aggregate purchase price of $30 million, representing a purchase price of $4.50 per share of common stock. The warrants have an exercise price of $6.38 per share.

Financial Operations Overview

Revenue

To date, we have not generated any revenue from our lead product candidate, Amphora. We do not expect to generate any revenue from any product candidates we develop unless and until we obtain regulatory approval and commercialize our products or enter into collaborative agreements with third parties. In the future, if Amphora is approved for commercial sale in

the United States, we may generate revenue from product sales. If Amphora is approved for commercial sale outside of the United States, we expect to out-license commercialization rights to Amphora to global pharmaceutical companies or other qualified potential partners or enter into collaborations for the commercialization and distribution of Amphora, from which we may generate licensing revenue. However, we cannot forecast which product candidates may be subject to future collaborations, when such arrangements will be secured, if at all, and to what degree such arrangements would affect our development plans and overall capital requirements. We do not expect to commercialize Amphora before 2020, if ever.

Operating Expenses

Research and development expenses

Our research and development expenses primarily consist of costs associated with the clinical and preclinical development of our MVP-R product candidates. Our research and development expenses include:

- external development expenses incurred under arrangements with third parties, such as fees paid to clinical research organizations (CROs) relating to our clinical trials, costs of acquiring and evaluating clinical trial data such as investigator grants, patient screening fees, laboratory work and statistical compilation and analysis, and fees paid to consultants;
- costs to acquire, develop and manufacture clinical trial materials, including fees paid to contract manufacturers;
- costs related to compliance with drug development regulatory requirements;
- employee-related expenses, including salaries, benefits, travel and stock-based compensation expense; and
- facilities, depreciation and other allocated expenses, which include direct and allocated expenses for rent and maintenance of facilities, depreciation of leasehold improvements and equipment, and research and other supplies.

We expense internal and third-party research and development costs as incurred. The following table summarizes research and development expenses by product candidate (in thousands):

	Three Months Ended March 31,	
	2019	**2018**
Allocated third-party development expenses:		
Amphora for prevention of pregnancy	$ 2,121	$ 9,484
Chlamydia/gonorrhea	3,547	534
Bacterial vaginosis	—	211
Total allocated third-party development expenses	5,668	10,229
Unallocated internal research and development expenses:		
Stock-based compensation expenses	288	230
Payroll related expenses	873	858
Other	1,060	642
Total unallocated internal research and development expenses	2,221	1,730
Total research and development expenses	$ 7,889	$ 11,959

Completion dates and costs for our clinical development programs can vary significantly for each current and any future product candidate and are difficult to predict. We anticipate we will make determinations as to which programs and product candidates to pursue as well as the most appropriate funding allocations for each program and product candidate on an ongoing basis in response to the results of ongoing and future clinical trials, regulatory developments, and our ongoing assessments as to each current or future product candidates' commercial potential. With the completion of the clinical phase of AMPOWER, we expect our research and development expenses to decrease in 2019. We will need to raise substantial additional capital in the future to complete clinical development for our current and future product candidates.

The costs of clinical trials may vary significantly over the life of a program owing to the following:

- per patient trial costs;
- the number of sites included in the trials;
- the length of time required to enroll eligible patients;
- the number of patients participating in the trials;
- the number of doses patients receive;
- potential additional safety monitoring or other trials requested by regulatory agencies;
- the phase of development of the product candidate; and
- the efficacy and safety profile of the product candidate.

General and administrative expenses

Our general and administrative expenses consist primarily of salaries, benefits, travel, business development expense, stock-based compensation expense, and other related costs for our employees and consultants in executive, administrative, finance and human resource functions. Other general and administrative expenses include facility-related costs not otherwise included in research and development and professional fees for accounting, auditing, tax and legal fees, and other costs associated with obtaining and maintaining our patent portfolio, and conducting commercial assessments for our product candidates.

We expect our general and administrative expenses to increase, specifically sales and marketing expenses, as we hire additional personnel to support the growth of our business and various pre-commercialization activities in early preparation of the potential launch of Amphora in 2020, if approved, and as a result of being a publicly-traded company.

Other Income (Expense)

Other income (expense) consists primarily of loss on issuance of warrants, the change in fair value of warrants, and the change in fair value of the Series D 2X liquidation preference, which for each share of Series D is equal to two times the issuance price per share of Series D, plus accrued and unpaid dividends, and became payable upon the closing of the Merger in January 2018.

Loss on issuance of warrants was recognized upon issuance of warrants to investors as they were determined as free-standing equity-classified financial instruments. The change in fair value of warrants was recognized as a result of the modifications to the warrants from change of the exercise price.

The Series D 2X liquidation preference expired at the Closing Date, at which time the final fair value of the Series D 2X liquidation preference was estimated. The final change in fair value of the Series D 2X liquidation preference of $0.1 million was recognized within change in fair value of the Series D 2X liquidation preference within the consolidated statements of operations for the year ended December 31, 2018. The Series D 2X liquidation preference liability was reclassified to additional paid-in capital within the consolidated balance sheets. Prior to the closing of the Merger, the Series D 2X liquidation preference was revalued at each reporting date and changes in fair value were recognized as increases in or decreases to other income (expense).

Results of Operations

Three Months Ended March 31, 2019 Compared to Three Months Ended March 31, 2018 (in thousands):

Research and development expenses

	Three Months Ended March 31,		2019 vs. 2018	
	2019	2018	$ Change	% Change
Research and development	$ 7,889	$ 11,959	$ (4,070)	(34)%

The overall decrease in research and development expenses was due to a $7.5 million decrease in clinical trial costs primarily related to our second Phase 3 clinical trial for AMPOWER, which completed its clinical phase in December 2018, and was partially offset by a $3.0 million increase in clinical trial costs related to AMPREVENCE, which completed its enrollment in March 2019. This net aggregate decrease in clinical trial costs was offset by a $0.2 million increase in costs incurred for outside services associated with the NDA submission preparation and pre-commercialization activities.

General and administrative expenses

	Three Months Ended March 31,		2019 vs. 2018	
	2019	2018	$ Change	% Change
General and administrative	$ 5,743	$ 9,027	$ (3,284)	(36)%

The overall decrease in general and administrative expenses was primarily due to a $3.7 million decrease in professional services and personnel costs attributable to the one-time costs associated with the Merger, a $0.4 million decrease in outside services associated with recruiting and consulting services, and a non-recurring cost of $0.3 million incurred as part of our corporate sponsorship of the Tryst Network during the three months ended March 31, 2018. These decreases were partially offset by a $1.2 million increase in noncash stock-based compensation recognized in the current period mainly associated with the stock-based awards granted during the first quarter of 2018, for which no stock-based compensation was recognized during the prior year quarter due to their contingent nature at grant, in addition to the stock-based awards granted subsequent to March 31, 2018.

Loss on issuance of warrants
Change in fair value of warrants
Change in fair value of Series D 2X liquidation preference

	Three Months Ended March 31,		2019 vs. 2018	
	2019	2018	$ Change	% Change
Loss on issuance of warrants	$ —	$ (47,920)	$ (47,920)	(100)%
Change in fair value of warrants	$ (4,440)	$ —	$ 4,440	100 %
Change in fair value of Series D 2X liquidation preference	$ —	$ (130)	$ 130	(100)%

As described in Note 10- Stockholders' Deficit, the loss on issuance of warrants for the three months ended March 31, 2018 was related to the Invesco Warrants issued immediately prior to the Closing Date of the Merger. No such loss was recorded for the three months ended March 31, 2019.

As described in Note 8- Convertible Preferred Stock, Note 9- Public Offering and Note 10- Stockholders' Deficit, there were an aggregate of 2,376,065 shares of common stock issued upon exercise of warrants at a reduced exercise price and issuance of 1,188,029 shares of Reload Warrants in February 2019. The Company determined that the reduction in exercise price and issuance of Reload Warrants to induce the exercise resulted in a modification to the initial warrants terms, which resulted in the recognition of approximately $4.4 million incremental fair value.

As described in Note 3- Merger and Related Transactions, we converted all 80 shares issued and outstanding Series D into the Company' common stock in January 2018 and recognized a change in fair value of the Series D 2X liquidation preference upon a final valuation during the three months ended March 31, 2018. Therefore, there was no such change in fair value for the three months ended March 31, 2019.

Liquidity and Capital Resources

Overview

We have incurred losses and negative cash flows from operating activities since inception. In February 2019, we received gross proceeds of approximately $6.3 million from the exercise of warrants to purchase 2,376,062 shares of the Company's common stock held by certain shareholders at an exercise price of $2.64 per share. As of March 31, 2019 and December 31, 2018, we had $0.2 million and $1.3 million in cash and cash equivalents, a working capital deficit of $30.7 million and $24.9 million and an accumulated deficit of $451.2 million and $433.1 million, respectively.

In April 2019, we received net proceeds of approximately $27.5 million upon completion of the First Closing of the Private Placement. See Note 12 - Subsequent Events to the financial statements included in this Quarterly Report for details.

We anticipate we will continue to incur net losses for the foreseeable future and incur additional costs associated with being a public company. We expect research and development expenses to decrease in 2019 compared to 2018 as the last patient for the second Phase 3 clinical trial of Amphora for prevention of pregnancy exited the study in late 2018. We expect general and administrative expenses to increase in 2019, specifically sales and marketing expenses, as we hire additional personnel to support the growth of our business and various pre-commercialization activities in early preparation of potential launch of Amphora in 2020, if approved. According to management estimates, liquidity resources as of March 31, 2019 are not sufficient to maintain our planned level of operations for the next 12 months. In addition, the uncertainties associated with our ability to (i) obtain additional equity financing on terms that are favorable to us, (ii) enter into collaborative agreements with strategic partners and (iii) succeed in our future operations, raise substantial doubt about our ability to continue as a going concern.

The opinion of our independent registered public accounting firm on our audited financial statements as of and for the years ended December 31, 2018 and 2017 contains an explanatory paragraph regarding substantial doubt about our ability to continue as a going concern. Future reports on our financial statements may include an explanatory paragraph with respect to our ability to continue as a going concern. Our unaudited condensed consolidated financial statements as of March 31, 2019 and for the three months ended March 31, 2019 and 2018 appearing in this Quarterly Report do not include any adjustments relating to the recoverability and classification of recorded asset amounts or amounts of liabilities that might be necessary should we be unable to continue our operations.

If we are not able to obtain the required funding in the near term, through equity financings or other means, or are notable to obtain funding on terms favorable to us, these circumstances will have a material adverse effect on our operations and strategic development plan for future growth. If we cannot successfully raise additional funding and implement our strategic development plan, we may be forced to make reductions in spending, suspend or terminate development programs, extend payment terms with suppliers, liquidate assets where possible, and/or suspend or curtail planned programs. Any of these could materially and adversely affect our liquidity, financial condition and business prospects and we would not be able to continue as a going concern. If we are unable to continue as a going concern, we may have to liquidate our assets and may receive less than the value at which those assets are carried on our financial statements.

Promissory Note

On December 5, 2018, the Company entered into a promissory note (Note) with our CRO for AMPOWER, where the Company agreed to pay the CRO existing invoiced amounts totaling approximately $4.0 million for clinical trial related services which Note had a due date of February 15, 2019. Any matured and unpaid amounts pursuant to this Note bear an annual interest rate of the lesser of 1% per month or the maximum amount permitted by the Laws of the State of Massachusetts.

In late February 2019, the Company amended the Note, which extended the due date to April 15, 2019. All other terms and conditions under the initial Note remain the same. In April 2019, the Company paid the Note in full.

Summary Statement of Cash Flows

The following table sets forth a summary of the net cash flow activity for each of the periods set forth below (in thousands):

	Three Months Ended March 31,		2019 vs. 2018	
	2019	2018	$ Change	% Change
Net cash, cash equivalents and restricted cash used in operating activities	$ (7,678)	$ (18,138)	$ 10,460	(58)%
Net cash, cash equivalents and restricted cash provided by investing activities	250	2,150	(1,900)	(88)%
Net cash, cash equivalents and restricted cash provided by financing activities	6,267	19,885	(13,618)	(68)%
Net (decrease) increase in cash, cash equivalents and restricted cash	$ (1,161)	$ 3,897	$ (5,058)	(130)%

Cash Flows from Operating Activities. Since inception, the primary use of cash, cash equivalents and restricted cash was to fund further development of our lead MVP-R product candidate, Amphora, for prevention of pregnancy as well as potential other indications and to support general and administrative operations.

Cash Flows from Investing Activities. Net cash, cash equivalents and restricted cash provided by investing activities for the three months ended March 31, 2019 decreased by $1.9 million compared to the same period in 2018 primarily due to non-recurring cash acquired from Neothetics in connection with the Merger in 2018 as described in Note 1- Description of Business and Basis of Presentation.

Cash Flows from Financing Activities. During the three months ended March 31, 2019, the primary source of cash, cash equivalents and restricted cash was the issuance of 2,376,062 shares of common stock upon the exercise of warrants in February for gross proceeds of $6.3 million. During the three months ended March 31, 2018, the primary source of cash, cash equivalents and restricted cash was the sale of 1,614,289 shares of the Company's common stock for gross proceeds of $20.0 million in a private placement transaction, offset by $0.2 million payment of Series D dividends upon conversion of Series D into Neothetics' common stock.

Operating and Capital Expenditure Requirements

We expect research and development expenses to decrease in 2019 compared to 2018 as the last patient for AMPOWER exited the study in the fourth quarter of 2018 and we subsequently released positive top-line data in December 2018. In addition, we expect to incur costs as we make improvements to our manufacturing process. The process of conducting preclinical and clinical trials necessary to obtain regulatory approval is costly and time consuming and we may never succeed in achieving regulatory approval for any of our product candidates. The probability of success for each product candidate will be affected by numerous factors, including preclinical data, clinical trial data, competition, manufacturing capability and commercial viability. We are responsible for all research and development costs for our programs.

We expect general and administrative expenses to increase, specifically sales and marketing expenses, as we hire additional personnel to support the growth of our business and various pre-commercialization activities in early preparation of the potential launch of Amphora in 2020, if approved. We also anticipate increased expenses related to audit, legal, regulatory, and tax-related services associated with maintaining compliance with stock exchange listing and SEC requirements, and directors' and officers' liability insurance premiums.

When we believe regulatory approval of a product candidate appears likely, we expect to incur significant costs as we establish a sales and marketing infrastructure for distribution, promotion and sales of it.

Off-Balance Sheet Arrangements

As of March 31, 2019 and December 31, 2018, we did not have any off-balance sheet arrangements, as such term is defined under Item 303 of Regulation S-K, that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors.

Other Matters

Recently Issued Accounting Pronouncements

For information with respect to recent accounting pronouncements, see Note 2 —Summary of Significant Accounting Policies to our condensed consolidated financial statements appearing in Part I, Item 1 of this report.

Critical Accounting Policies

Our consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States. The preparation of consolidated financial statements requires us to make estimates, assumptions and judgments that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the consolidated financial statements and the reported amounts of expenses during the applicable periods. Management bases its estimates, assumptions and judgments, on historical experience and on various other factors it believes to be reasonable under the circumstances. Different estimates, assumptions and judgments may change the estimated used in the preparation of our consolidated financial statements, which, in turn, could materially change our results from those reported. Management evaluates its estimates, assumptions and judgments on an ongoing basis. However, if our assumptions change, we may need to revise our estimates, or take other corrective actions, either of which may also have a material adverse effect on our consolidated statements of operations, liquidity and financial condition. We believe the following critical accounting policies involve significant areas where management applies estimates, assumptions and judgments in the preparation of our consolidated financial statements. See Note 2 to our Annual Report on Form 10-K for the year ended December 31, 2018 for our additional accounting policies.

Clinical Trial Accruals

As part of the process of preparing our financial statements, we are required to estimate expenses resulting from our obligations under contracts with vendors, CROs and consultants and under clinical site agreements relating to conducting our clinical trials. The financial terms of these contracts vary and may result in payment flows that do not match the periods over which materials or services are provided under such contracts.

Our objective is to reflect the appropriate clinical trial expenses in our consolidated financial statements by recording those expenses in the period in which services are performed and efforts are expended. We account for these expenses according to the progress of the clinical trial as measured by patient progression and the timing of various aspects of the trial. We determine accrual estimates through financial models and discussions with applicable personnel and outside service providers as to the progress of clinical trials.

During a clinical trial, we adjust the clinical expense recognition if actual results differ from estimates. We make estimates of accrued expenses as of each balance sheet date based on the facts and circumstances known at that time. Our clinical trial accruals are partially dependent upon accurate reporting by CROs and other third-party vendors. Although we do not expect estimates to differ materially from actual amounts, our understanding of the status and timing of services performed relative to the actual status and timing of services performed may vary and may result in reporting amounts that are too high or too low for any reporting period. For the three months ended March 31, 2019 and 2018, there were no material adjustments to our prior period estimates of accrued expenses for clinical trials.

Determining Fair Value of Stock Options

The fair value of the shares of our common stock underlying stock-based awards are estimated on each grant date by our board of directors. Prior to completion of the Merger, to determine the fair value of the common stock underlying option grants, the board of directors considered, among other things, valuations of our common stock prepared by an unrelated valuation firm in accordance with the guidance provided by the American Institute of Certified Public Accountants Practice Guide, Valuation of Privately-Held-Company Equity Securities Issued as Compensation. Given the absence of a public trading market for our common stock prior to completion of the Merger, the board of directors exercised reasonable judgment and considered a number of objective and subjective factors to determine the best estimate of the fair value of our common stock, including our stage of development; progress of our research and development efforts; our operating and financial performance, including levels of available capital resources; the rights, preferences and privileges of our convertible preferred stock relative to those of our common stock; sales of our convertible preferred stock; the valuation of publicly traded companies in our industry, equity market conditions affecting comparable public companies and the lack of marketability of our common stock. We obtained valuations on at least an annual basis or when we determined significant value generating or diminishing internal and/or external events have occurred, which would significantly increase or decrease the fair value of the common stock underlying our stock-based awards. Post the Merger, the fair value of our common stock will be equal to the closing price of our stock.

Fair Value of Series D 2X Liquidation Preference

Prior to completion of the Merger, the Company valued its Series D 2X liquidation preference in accordance with Accounting Standards Codification No. 815 — Derivatives and Hedging, using a PWERM, which is sensitive to changes in assumptions regarding the timing of additional financings, potential exit scenarios and revisions in our financial forecast. Changes in any one of the assumptions could have had a material impact on the estimated fair value of the Series D 2X liquidation preference. Management used the most reliably available information at each valuation date to determine the fair value of the Series D 2X liquidation preference. Due to the nature of the assumptions and the sensitive nature of the PWERM, management could not reliably provide sensitivity analysis around the impact of changes in assumptions utilized in the PWERM used to estimate the fair value of the Series D 2X liquidation preference.

Fair Value of Warrants

The fair value of the WIM and Invesco Warrants issued in connection with the Merger and Reload Warrants issued in February 2019, and the change in fair value of warrants as a result of the modification were determined using the BSM option-pricing model based on the applicable assumptions, which include the warrants exercise price, time to expiration, expected volatility of our peer group, risk-free interest rate and expected dividend.

Leases

The Company determines if an arrangement is a lease or implicitly contains a lease at inception based on the definition in accordance with ASC 842. Operating leases are included in operating lease right-of-use (ROU) assets and operating lease liabilities in its condensed consolidated balance sheets. ROU assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date or the Adoption Date for existing leases based on the present value of lease payments over the lease term using an estimated discount rate. As the Company's leases do not provide an implicit rate, the Company used an incremental borrowing rate based on the information available at commencement date or the Adoption Date in determining the present value of lease payments over a similar term. In determining the estimated incremental borrowing rate, the Company considered a rate obtained from its primary banker for discussion purposes of a potential collateralized loan with a term similar to the lease term, the Company's historical borrowing capability in the market, and the Company's costs incurred for underwriting discounts and financing costs in its previous equity financing. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. Lease expense for lease payments is recognized on a straight-line basis over the lease term. Lease and non-lease components within a contract are generally accounted for separately.

ITEM 3. Quantitative and Qualitative Disclosures about Market Risk

Not applicable.

ITEM 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our principal executive officer and principal financial officer, has evaluated the effectiveness of our disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, as of the end of the period covered by this quarterly report on Form 10-Q. Based on such evaluation, our principal executive officer and principal financial officer has concluded that as of such date, our disclosure controls and procedures were effective.

Changes in Internal Control over Financial Reporting

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

Inherent Limitations of Internal Controls

Our management, including our Chief Executive Officer and Chief Financial Officer, does not expect that our disclosure controls and procedures or our internal controls over financial reporting will prevent or detect all error and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Due to the inherent limitations in all control systems, no evaluation of controls can provide absolute

assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of a simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. 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, controls may become inadequate because of changes in conditions, or the degree of compliance with the 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.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

From time to time we may be involved in various disputes and litigation matters that arise in the ordinary course of business. We are currently not a party to any material legal proceedings.

Item 1A. Risk Factors

In addition to the other information set forth in this report, you should carefully consider the risk factors discussed in Part I, Item 1A. "Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2018 as filed with the SEC on March 1, 2019 (Form 10-K) which could materially affect our business, financial condition, or results of operations. Other than the addition of the following risk factor, there have been no material changes in or additions to the risk factors included in our Form 10-K.

*The Second Closing may not occur which could adversely affect our business and the price of our common stock***.**

As described in the Securities Purchase Agreement, the purchasers have the right, but not the obligation, to participate in the Second Closing. In addition, the Second Closing is subject to conditions as further described in the Securities Purchase Agreement, including the requirement that our stockholders approve the securities to be issued in the Second Closing. There can be no assurance that the purchasers will participate in the Second Closing, our stockholders will approve the issuance of the securities in the Second Closing or that the closing conditions for the Second Closing will be satisfied. If the Second Closing does not occur, we will be required to seek other sources of funding or financing arrangements in order to continue our planned operations. The terms of these arrangements may not be as favorable to us as those in the Second Closing and additional financing or funding may be unavailable to us. Our inability to complete the Second Closing on or prior to June 10, 2019 may adversely impact our business and the price of our common stock.

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

Purchases of Equity Securities by the Issuer

The table below is a summary of purchases of our common stock we made during the quarter covered by this report. Other than as indicated in the table below, no such purchases were made in any other month during the quarter. We do not have any publicly announced repurchase plans or programs.

Period	Total Number of Shares Purchased (1)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares That May Yet be Purchased Under the Plans or Programs
January 1- January 31	1,639	$4.15	—	—

(1) These shares were surrendered to the Company to satisfy tax withholdings obligations in connection with the vesting of RSAs.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

The exhibits filed as part of this Quarterly Report on Form 10-Q are set forth on the Exhibit Index.

EXHIBIT INDEX

Exhibit No.	Exhibit Title	Filed Herewith	Incorporated by Reference		
			Form	File No.	Date Filed
4.1	Form of Reload Warrant.		8-K	001-36754	02/11/2019
4.2	Form of Reload Warrant.		8-K	001-36754	02/11/2019
4.3	Form of Warrant.		8-K	001-36754	04/11/2019
4.4	Form of Warrant for Woodford.		8-K	001-36754	04/11/2019
9.1	Form of Voting and Support Agreement.		8-K	001-36754	04/11/2019
10.1	Form of Repricing Letter Agreement.		8-K	001-36754	02/11/2019
10.2	Form of Repricing Letter Agreement.		8-K	001-36754	02/11/2019
10.3	Securities Purchase Agreement.		8-K	001-36754	04/11/2019
10.4	Registration Rights Agreement.		8-K	001-36754	04/11/2019
10.5	Consulting Agreement, dated as of April 1, 2019, by and between Evofem Biosciences Operations, Inc. and Thomas Lynch.	X			
31.1	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	X			
31.2	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	X			
*32.1	Certification of Principal Executive Officer and Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	X			
†101.INS	XBRL Instance Document	X			
†101.SCH	XBRL Taxonomy Extension Schema Document	X			
†101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document	X			
†101.DEF	XBRL Definition Linkbase Document	X			
†101.LAB	XBRL Taxonomy Extension Labels Linkbase Document	X			
†101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document	X			

* Furnished herewith. This certification is being furnished solely to accompany this report pursuant to 18 U.S.C. 1350, and are not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not to be incorporated by reference into any filing of the registrant, whether made before or after the date hereof, regardless of any general incorporation by reference language in such filing.

† The financial information of Evofem Biosciences, Inc. Quarterly Report on Form 10-Q for the quarter ended March 31, 2019 filed on May 7, 2019 formatted in XBRL (Extensible Business Reporting Language): (i) the Condensed Consolidated Balance Sheets, (ii) Parenthetical Data to the Condensed Consolidated Balance Sheets, (iii) the Condensed Consolidated Statements of Operations, (iv) the Condensed Consolidated Statement of Stockholders' Deficit, (v) the Condensed Consolidated Statements of Cash Flows, and (vi) Notes to Unaudited Condensed Consolidated Financial Statements, is furnished electronically herewith.

SIGNATURES

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

EVOFEM BIOSCIENCES, INC.

Date: May 7, 2019

By: /s/ Justin J. File

Justin J. File

Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)

Exhibit 10.5

CONSULTING AGREEMENT

This Consulting Agreement (the "Agreement") is made and entered into effective as of April 1, 2019 (the "Effective Date"), by and between Evofem Biosciences, Inc., a Delaware corporation (the "Company"), and Thomas Lynch, an individual, (the "Consultant"). The Company and Consultant hereby agree as follows:

1. Engagement. The Company hereby engages Consultant to perform the Services (as defined below) on the terms and conditions herein and Consultant hereby accepts such engagement.

2. Scope of Duties. During the term of this Agreement, Consultant shall perform the services for the Company set forth on **Exhibit A** attached hereto (the "Services"). In addition, Consultant may perform such additional services as are agreed upon by the Company and Consultant from time to time which shall also be deemed "Services" governed by the terms and conditions of this Agreement, unless otherwise set forth in such signed writing. The Company shall compensate Consultant for the Services pursuant to Section 3.1 hereof. Consultant hereby agrees to devote Consultant's reasonable time, abilities and energy to the faithful performance of Consultant's duties hereunder. The parties acknowledge and agree that Consultant's Services to Company hereunder shall be non-exclusive and that Consultant shall at all times remain an independent contractor and shall have no authority to bind the Company. The Company will not exercise any control over the manner or methods with which Consultant performs the Services. The Company's sole interest and responsibility is to ensure that the Services are performed and rendered in a competent, satisfactory, timely and legal manner.

3. Compensation; Reimbursement.

3.1 Consulting Fees. In consideration for the timely and fully satisfactory performance of the Services, Consultant shall receive the consideration set forth on Exhibit B attached hereto. Consultant acknowledges and agrees that Exhibit B sets forth all of Consultant's compensation for any and all Services performed for or on behalf of the Company whether during the term of this Agreement or prior to the term of this Agreement and that Consultant is not entitled to any other compensation in connection with any services provided to the Company, including, without limitation, the Services, other than as set forth on Exhibit B hereto. Except as expressly set forth herein, there are no other fees, costs or other compensation of any kind or nature to be paid by Company for the Services. Consultant shall be solely responsible for and shall make proper and timely payment of any taxes due on payments made (a) to Consultant pursuant to this Agreement (including, but not limited to, Consultant's estimated state and Federal income taxes and self-employment taxes, as applicable), and (b) to the extent permitted under this Agreement, to other persons who provide services to Consultant in connection with this Agreement.

3.2 Expenses. Consultant shall be reimbursed for all reasonable "out-of-pocket" business expenses which have been incurred in connection with the performance of Consultant's duties under this Agreement in accordance with Company's standard expense reimbursement policies, subject to Consultant's submission of appropriate vouchers and receipts substantiating any such expenses at Company's request.

4. Confidentiality; Non-Disclosure. In the course of performing the Services, it is understood that the Company may disclose certain Confidential Information of the Company to Consultant. "Confidential Information" shall include all information or material of the Company, whether disclosed orally, graphically, electronically or in writing, by the Company to Consultant or of which Consultant becomes

aware, including, without limitation, information relating to the business of the Company and any and all intellectual property rights stemming therefrom and relating thereto and any and all other materials, documentation, contracts and agreements of the Company and any business plans, methods, concepts, marketing plans, projections, investor lists, or ideas relating to the business of the Company or its products or services. Notwithstanding the foregoing, Confidential Information shall not be information which: (i) has entered the public domain through no action or failure to act of Consultant; (ii) prior to disclosure hereunder was already lawfully in Consultant's possession without any obligation of confidentiality; (iii) subsequent to disclosure hereunder is obtained by Consultant on a non-confidential basis from a third party who has the right to disclose such information to Consultant; or (iv) is ordered to be or otherwise required to be disclosed by Consultant by a court of law or other governmental body provided, however, that the Company is notified of such order or requirement and given a reasonable opportunity to intervene or obtain a protective order. Consultant agrees to: (i) use the same degree of care (and in no event less than reasonable care) in protecting the Confidential Information of Company that Consultant would use to protect its own Confidential Information of a similar nature; (ii) not to copy, publish, reverse engineer, show, or disclose the Confidential Information of the Company to any third parties without the prior written consent of the Company, and (iii) to return the Confidential Information of the Company to the Company at the Company's request.

5. Ownership of Work Product. Consultant hereby expressly acknowledges and agrees that any and all work product, software (in object code or source code form), improvements, inventions (whether patentable or not), enhancements, processes, methods, algorithms, techniques, concepts and other data or information made, conceived, developed reduced to practice or learned by Consultant, either alone or jointly with others, in connection with Consultant's performance of the Services together with any and all intellectual property rights arising therefrom or related thereto, including, without limitation, any patent rights, copyrights, trademark rights or trade secrets, shall be the sole and exclusive property of the Company, and Consultant hereby assigns to the Company any and all rights Consultant may have or acquire in the same, including, without limitation, any and all such intellectual property rights.

6. Representations, Warranties and Covenants. Consultant represents, warrants and covenants to the Company that she shall perform the Services in a workmanlike and professional manner and in accordance with all applicable laws and regulations. Consultant further represents, warrants and covenants that it will not permit any other person or entity to contribute to or perform any of the Services or contribute to any work product produced by Consultant pursuant to this Agreement.

7. Term; Termination. This Agreement shall be effective as of the Effective Date and shall continue in full force and effect for a period of two (2) years. Either party may terminate this Agreement upon seven (7) days advance written notice to the other party for any reason or no reason.

8. Other Work. The Company recognizes and agrees that the Consultant may perform services for other persons, provided that such services do not represent a conflict of interest or a breach of the Consultant's duties to the Company. Notwithstanding the foregoing, Consultant hereby represents and warrants that the terms of this Agreement are not inconsistent with, nor do they violate, any other contractual or legal obligations Consultant may have with any other third party.

9. No Employee Benefits. This Agreement shall not entitle Consultant to participate in any of the Company's employee benefit plans, fringe benefit programs, group insurance arrangements or similar programs. The Company shall not provide workers' compensation, disability insurance, Social Security or unemployment compensation coverage nor any other statutory benefit to the Consultant as a result of this Agreement. The Consultant shall comply at his or her expense with all applicable provisions of workers'

compensation laws, unemployment compensation laws, federal Social Security law, the Fair Labor Standards Act, OSHA regulations, federal, state and local income tax laws, and all other applicable federal, state and local laws, regulations and codes relating to terms and conditions of employment required to be fulfilled by employers or independent contractors.

10. General Terms.

10.1 Assignment. This Agreement shall not be assigned or transferred by Consultant without the prior written consent of the Company. Further, Consultant acknowledges and agrees that Consultant possesses unique skills, expertise and qualifications, and that as such its performance is material to this Agreement. Consultant shall not assign or delegate any of the duties of Consultant hereunder to any third party without the prior written consent of the Company. It is understood and agreed that the Company shall have the right to assign this Agreement to any successor to all or substantially all of its assets and business by dissolution, merger, consolidation, transfer of assets or otherwise, or to any direct or indirect subsidiary of the Company.

10.2 Severability. Should there be any conflict between any provisions hereof and any present or future statute, law, ordinance, regulation, or other pronouncement having the force of law, the latter shall prevail, but the provision of this Agreement affected thereby shall be curtailed and limited only to the extent necessary to bring it within the requirements of the law, and the remaining provisions of this Agreement shall remain in full force and effect.

10.3 Governing Law. This Agreement and the rights and obligations of the parties set forth herein shall be governed by, construed and interpreted in accordance with the internal laws of the State of California, without regard to its conflicts of laws principles.

10.4 Miscellaneous. The Agreement constitutes the entire agreement between the parties regarding the subject matter set forth herein and supersedes and prior or contemporaneous agreement related to the subject matter hereof whether written or oral, and may only be modified in writing and signed by an authorized representative of both parties. All waivers hereunder must be made in writing by a duly authorized representative of the party against whom the waiver is to operate, and failure at any time to require the other party's performance of any obligation under this Agreement shall not affect the right subsequently to require performance of that obligation. If any provision of this Agreement is illegal, unenforceable or invalid under applicable law, it shall be enforced to the maximum permissible extent to effect the intent of the parties, and the remaining provisions will remain in full force and effect. This Agreement may be executed in one or more counterparts, each of which may be signed and transmitted via PDF electronic delivery with the same validity as if it were an ink-signed document. Consultant is an independent contractor, and neither party shall, expressly or by implication, represent themselves as having, any authority to make contracts in the name of or binding on the other, or to obligate or bind the other in any manner whatsoever. Any notices under this Agreement must be in writing, may be emailed, sent by express 24-hour guaranteed courier, or hand-delivered, or may be served by depositing the same in the United States mail, addressed to the party to be notified, postage-prepaid and registered or certified with a return receipt requested. Each notice given by registered or certified mail shall be deemed delivered and effective on the date of delivery as shown on the return receipt, and each notice delivered in any other manner shall be deemed to be effective as of the time of actual delivery or the date the applicable email was sent if no non-delivery response is received by the sender.

Signatures on the following page

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be effective as of the Effective Date.

"Company"	**EVOFEM, INC.** By: /s/ Tony O'Brien
"Consultant"	/s/ Thomas Lynch

EXHIBIT A
DESCRIPTION OF SERVICES

During the Term, Consultant shall perform the following activities:

Initiate and conduct investor relation activities within the U.S. and Europe, including the coordination and participation in telephonic and in-person meetings as it relates to future fundraising activities or potential offerings on NASDAQ;

Serve as the initial point of contact for the coordination of investment activities and engage in ongoing communications with the Company's two cornerstone investors, including telephonic and in-person meetings, as required;

Generate, initiate, coordinate, and engage business contacts for potential corporate business development opportunities in the area of women's reproductive health, including participating in the initial communication with businesses for potential partnering opportunities and coordinating Company personnel's participation in telephonic or in-person meetings; and

Perform other corporate activities as agreed upon by Company and Consultant.

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EXHIBIT B
CONSULTANT COMPENSATION

In consideration for the Services, Consultant shall be compensated as follows:

$350,000 due in quarterly installments commencing upon the Effective Date. This amount will be reduced by the portion of renumeration Mr. Lynch receives in association with his duties on the Board of Directors (such reduced amount is referred to hereunder as the "Net Annual Cash Consulting Fee).

In addition, Consultant is eligible for an annual bonus of up to 100% of the Net Annual Cash Consulting Fee based upon on the achievement of the Company's corporate goals and objectives as determined by and subject to approval of the Board of Directors (with appropriate input from the Compensation Committee).

EQUITY GRANT:

An equity grant for 150,000 shares of restricted stock at the commencement of each year under this consulting agreement, vesting (a) twenty-five percent (25%) quarterly beginning on the Effective Date and ending on March 31, 2020 for the first such grant hereunder; and (b) twenty-five percent (25%) quarterly beginning on the one year anniversary of the Effective Date and ending on March 31, 2021.

One-hundred percent (100%) of the total shares of common stock to be issued under this Agreement shall vest in the event of a change of control, hereunder defined as the sale of all or substantially all of the assets of Company, any merger, consolidation or acquisition of Company with, by or into another corporation, entity or person, or any change in the ownership of more than fifty percent (50%) of the stock of Company in one or more related transactions.

Exhibit 31.1

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Saundra Pelletier, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Evofem Biosciences, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 7, 2019

By: /s/ Saundra Pelletier

Saundra Pelletier
President and Chief Executive Officer
(principal executive officer)

Exhibit 31.2

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Justin J. File, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Evofem Biosciences, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 7, 2019

By: /s/ Justin J. File

Justin J. File
Chief Financial Officer
(principal financial officer and principal accounting officer)

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Evofem Biosciences, Inc. (the "Company") on Form 10-Q for the period ending March 31, 2019, as filed with the Securities and Exchange Commission on the date hereof (the "Quarterly Report"), each of the undersigned officers of the Company, does hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of such officer's knowledge:

(1) The Quarterly Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Quarterly Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 7, 2019 By: /s/ Saundra Pelletier

Saundra Pelletier
President and Chief Executive Officer
(principal executive officer)

Date: May 7, 2019 By: /s/ Justin J. File

Justin J. File
Chief Financial Officer
(principal financial officer and principal accounting officer)

This certification accompanies the Form 10-Q to which it relates, is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of Evofem Biosciences, Inc. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of the Form 10-Q), irrespective of any general incorporation language contained in such filing.