UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

Form 10-Q

(Mark One)

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

For the Quarterly Period Ended September 30, 2018

OR

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

For the transition period from ____ to ____

Commission file number 001-37809

Gemphire Therapeutics Inc.
(Exact name of Registrant as specified in its charter)

Delaware	**47-2389984**
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)
17199 N. Laurel Park Drive, Suite 401, Livonia, MI	**48152**
(Address of principal executive offices)	(Zip Code)

(734) 245-1700
(Registrant's telephone number, including area code)

Not Applicable
(Former name, former address and former fiscal year, 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, a 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 12(b)-2 of the Exchange Act). Yes ☐ No ☒

The number of outstanding shares of the registrant's common stock, $0.001 par value, as of November 5, 2018 was 14,265,411.

Gemphire Therapeutics Inc.
FORM 10-Q
INDEX

PART I	**FINANCIAL INFORMATION**	
ITEM 1.	Financial Statements.	
	Condensed Balance Sheets as of September 30, 2018 (unaudited) and December 31, 2017	3
	Condensed Statements of Comprehensive Loss for the three and nine months ended September 30, 2018 and 2017 (unaudited)	4
	Condensed Statements of Changes in Stockholders' Equity for the nine months ended September 30, 2018 and 2017 (unaudited)	5
	Condensed Statements of Cash Flows for the nine months ended September 30, 2018 and 2017 (unaudited)	6
	Notes to Condensed Financial Statements (unaudited)	7
ITEM 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	23
ITEM 3.	Quantitative and Qualitative Disclosures about Market Risk	34
ITEM 4.	Controls and Procedures	34
PART II	**OTHER INFORMATION**	35
ITEM 1.	Legal Proceedings	35
ITEM 1A:	Risk Factors	35
ITEM 2.	Unregistered Sales of Equity Securities and Use of Proceeds	36
ITEM 3.	Default upon Senior Securities	36
ITEM 4.	Mine Safety Disclosures	36
ITEM 5.	Other Information	36
ITEM 6.	Exhibits	37
SIGNATURES		38

PART I – FINANCIAL INFORMATION
ITEM 1 – FINANCIAL STATEMENTS

Gemphire Therapeutics Inc.
Condensed Balance Sheets
(in thousands, except share amounts and par value)

	September 30, 2018 (unaudited)	December 31, 2017
Assets		
Current assets:		
Cash and cash equivalents	$ 23,806	$ 18,473
Prepaid expenses	1,033	490
Deferred offering costs	9	21
Other assets	14	25
Total current assets	24,862	19,009
Deposits	8	8
Total assets	$ 24,870	$ 19,017
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	$ 2,351	$ 4,025
Accrued liabilities	1,585	1,010
Term loan - current portion	3,681	1,355
Total current liabilities	7,617	6,390
Long-term liabilities:		
Term loan	6,398	8,683
Other liabilities	2	3
Total liabilities	14,017	15,076
Commitments and contingencies (Note 5)		
Stockholders' equity:		
Preferred stock, $0.001 par value; 10,000,000 shares authorized as of September 30, 2018 and December 31, 2017, no shares issued or outstanding as of September 30, 2018 and December 31, 2017.	—	—
Common stock, $0.001 par value; 100,000,000 shares authorized as of September 30, 2018 and December 31, 2017, 14,265,411 and 10,633,042 shares issued and outstanding at September 30, 2018 and December 31, 2017, respectively.	22	18
Additional paid–in capital	91,286	64,397
Accumulated deficit	(80,455)	(60,474)
Total stockholders' equity	10,853	3,941
Total liabilities and stockholders' equity	$ 24,870	$ 19,017

See accompanying notes to condensed financial statements.

Gemphire Therapeutics Inc.
Condensed Statements of Comprehensive Loss
(in thousands, except share and per share amounts)
(unaudited)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2018	2017	2018	2017
Operating expenses:				
General and administrative	$ 2,364	$ 2,050	$ 7,025	$ 8,951
Research and development	3,542	6,489	12,479	17,606
Total operating expenses	5,906	8,539	19,504	26,557
Loss from operations	(5,906)	(8,539)	(19,504)	(26,557)
Interest expense, net	(172)	(132)	(476)	(107)
Other expense	(1)	—	(1)	(5)
Loss before income taxes	(6,079)	(8,671)	(19,981)	(26,669)
Provision (benefit) for income taxes	—	—	—	—
Net loss	(6,079)	(8,671)	(19,981)	(26,669)
Other comprehensive loss, net of tax	—	—	—	—
Comprehensive loss	$ (6,079)	$ (8,671)	$ (19,981)	$ (26,669)
Net loss per share:				
Basic and diluted (Note 9)	$ (0.43)	$ (0.82)	$ (1.46)	$ (2.60)
Number of shares used in per share calculations:				
Basic and diluted	14,259,691	10,623,601	13,650,556	10,253,437

See accompanying notes to condensed financial statements.

Gemphire Therapeutics Inc.
Condensed Statements of Changes in Stockholders' Equity
(in thousands, except share amounts)
(unaudited)

	Preferred Stock		Common Stock		Additional Paid–In Capital	Accumulated Deficit	Total Equity
	Shares	Amount	Shares	Amount			
Balance at January 1, 2017	—	$ —	9,270,255	$ 17	$ 47,674	$ (27,059)	$ 20,632
Issuance of common stock from private placement	—	—	1,324,256	1	8,978	—	8,979
Issuance of detachable stock warrants in connection with private placement	—	—	—	—	3,562	—	3,562
Issuance costs of private placement	—	—	—	—	(1,219)	—	(1,219)
Exercise of stock options	—	—	2,327	—	3	—	3
Share–based compensation — employee	—	—	—	—	829	—	829
Share–based compensation — non–employee	—	—	—	—	7	—	7
Net loss	—	—	—	—	—	(7,496)	(7,496)
Balance at March 31, 2017	—	—	10,596,838	18	59,834	(34,555)	25,297
Issuance of common stock from private placement	—	—	—	—	—	—	—
Issuance of detachable stock warrants in connection with private placement	—	—	—	—	—	—	—
Issuance costs of private placement	—	—	—	—	(38)	—	(38)
Exercise of stock options	—	—	10,523	—	10	—	10
Share–based compensation — employee	—	—	—	—	2,955	—	2,955
Share–based compensation — non–employee	—	—	—	—	8	—	8
Net loss	—	—	—	—	—	(10,502)	(10,502)
Balance at June 30, 2017	—	—	10,607,361	18	62,769	(45,057)	17,730
Issuance of common stock from private placement offering	—	—	—	—	—	—	—
Issuance of detachable stock warrants in connection with private placement offering	—	—	—	—	—	—	—
Issuance costs of private placement offering	—	—	—	—	(30)	—	(30)
Exercise of stock options	—	—	10,681	—	28	—	28
Exercise of warrants	—	—	15,000	—	156	—	156
Share–based compensation — employee	—	—	—	—	726	—	726
Share–based compensation — non–employee	—	—	—	—	10	—	10
Net loss	—	—	—	—	—	(8,671)	(8,671)
Balance at September 30, 2017	—	$ —	10,633,042	$ 18	$ 63,659	$ (53,728)	$ 9,949
Balance at January 1, 2018	—	$ —	10,633,042	$ 18	$ 64,397	$ (60,474)	$ 3,941
Issuance of common stock	—	—	3,592,858	4	25,146	—	25,150
Issuance costs	—	—	—	—	(2,093)	—	(2,093)
Exercise of stock options	—	—	6,413	—	23	—	23
Share–based compensation — employee	—	—	—	—	1,019	—	1,019
Share–based compensation — non–employee	—	—	—	—	1	—	1
Net loss	—	—	—	—	—	(7,224)	(7,224)
Balance at March 31, 2018	—	—	14,232,313	22	88,493	(67,698)	20,817
Issuance of common stock	—	—	—	—	—	—	—
Issuance costs	—	—	—	—	—	—	—
Exercise of stock options	—	—	—	—	—	—	—
Share–based compensation — employee	—	—	—	—	908	—	908
Share–based compensation — non–employee	—	—	—	—	1	—	1
Net loss	—	—	—	—	—	(6,678)	(6,678)
Balance at June 30, 2018	—	—	14,232,313	22	89,402	(74,376)	15,048
Issuance of common stock	—	—	—	—	—	—	—
Issuance costs	—	—	—	—	—	—	—
Warrant issuance	—	—	—	—	196	—	196
Exercise of stock options	—	—	33,098	—	61	—	61
Share–based compensation — employee	—	—	—	—	1,626	—	1,626
Share–based compensation — non–employee	—	—	—	—	1	—	1
Net loss	—	—	—	—	—	(6,079)	(6,079)
Balance at September 30, 2018	—	$	$ 14,265,411	$ 22	$ 91,286	$ (80,455)	$ 10,853

See accompanying notes to condensed financial statements.

Gemphire Therapeutics Inc.
Condensed Statements of Cash Flows
(in thousands)
(unaudited)

	For the Nine Months Ended September 30,	
	2018	**2017**
Operating activities		
Net loss	$ (19,981)	$ (26,669)
Adjustments to reconcile net loss to net cash used in operating activities:		
Share-based compensation	3,556	4,535
Non-cash discount amortization on term loan	247	58
Change in assets and liabilities:		
Prepaid expenses and other assets	(520)	(150)
Accounts payable	(1,674)	2,241
Accrued and other liabilities	574	(156)
Net cash used in operating activities	(17,798)	(20,141)
Investing activities		
Net cash provided by (used in) investing activities	—	—
Financing activities		
Proceeds from issuance of term loan	—	10,000
Issuance costs related to term loan	(10)	(33)
Exercise of stock options	84	41
Exercise of warrants	—	156
Proceeds from sale of common stock	25,150	12,541
Issuance costs	(2,093)	(1,257)
Net cash provided by financing activities	23,131	21,448
Net increase (decrease) in cash and cash equivalents	5,333	1,307
Cash and cash equivalents at beginning of period	18,473	24,033
Cash and cash equivalents at end of period	$ 23,806	$ 25,340
Supplemental disclosure of cash flow information:		
Cash paid for income taxes	$ —	$ —
Cash paid for interest	$ 358	$ 46
Supplemental non-cash financing transactions:		
Issuance of warrants in connection with term loan	$ 196	$ —
Issuance costs related to term loan and offering in accounts payable and accrued liabilities	$ —	$ 89

See accompanying notes to condensed financial statements.

Gemphire Therapeutics Inc.
Notes to Condensed Financial Statements (unaudited)

1. The Company and Basis of Presentation

The Company, headquartered in Livonia Michigan, is a clinical-stage biopharmaceutical entity focused on developing and commercializing therapies for the treatment of dyslipidemia, a serious medical condition that increases the risk of life threatening cardiovascular disease, including orphan indications as well as NAFLD/NASH (nonalcoholic fatty liver disease). The Company's primary activities to date have been conducting research and development activities, planning and conducting clinical trials, performing business and financial planning, recruiting personnel and raising capital. The Company is subject to certain risks, which include the need to research, develop, and clinically test potentially therapeutic products, initially one product candidate gemcabene (also known as CI-1027); obtain regulatory approval for its products and commercialize them around the world, if approved; expand its management scientific staff; finance its operations; and find collaboration partners to further advance development and commercial efforts.

Initial Public Offering

On August 4, 2016, the Company's Registration Statement on Form S-1 (File No 333-210815) relating to its initial public offering (IPO) of its common stock was declared effective by the Securities and Exchange Commission (SEC). Pursuant to such Registration Statement, on August 10, 2016, the Company closed its IPO whereby 3,000,000 shares of its common stock were issued and sold at a public offering price of $10.00 per share. On September 8, 2016, the Company closed the sale of 27,755 shares of its common stock at the public offering price of $10.00 per share, representing a partial exercise of the underwriters' over-allotment option, following which, the IPO terminated. The Company received net proceeds of approximately $26.1 million after deducting underwriting discounts and commissions of $2.1 million and other offering expenses of $2.1 million.

Immediately prior to the IPO, the Company amended and restated its certificate of incorporation and bylaws to, among other things, change its authorized capital stock to consist of (i) 100,000,000 shares of common stock and (ii) 10,000,000 shares of undesignated preferred stock. Both the common stock and the preferred stock have a par value of $0.001 per share.

Private Placement Offering

On March 10, 2017, the Company entered into a securities purchase agreement for a private placement (the Private Placement) with a select group of accredited investors whereby, on March 15, 2017 the Company issued and sold 1,324,256 units at a price of $9.47 per unit for gross proceeds of approximately $12.5 million. Each unit consists of one share of the Company's common stock and a warrant to purchase 0.75 shares of common stock. The warrants have an exercise price of $10.40 per share and are exercisable for a period of five years from the date of issuance. On April 20, 2017, the registration statement on Form S-1 (File No 333-217296) for the resale of the shares of common stock issued in the Private Placement and the shares of common stock to be issued upon exercise of the warrants issued in the Private Placement was declared effective by the SEC, and on September 1, 2017, the Company filed a post-effective amendment to convert the registration statement into Form S-3 for the registration of any unsold Private Placement shares, which included an updated prospectus relating to such unsold shares.

Follow-On Public Offering

On February 12, 2018, the Company completed an underwritten public offering (the Follow-On Offering) of 3,142,858 shares of common stock at the public offering price of $7.00 per share. As part of such offering, the Company issued 450,000 additional shares of common stock representing partial exercise of the underwriters' overallotment option. The

Gemphire Therapeutics Inc.
Notes to Condensed Financial Statements (unaudited), continued

Company received net proceeds of approximately $23.1 million after deducting underwriting discounts and commissions and offering expenses.

Capital Requirements

The Company has sustained operating losses since inception and expects such losses to continue over the next several years. Management plans to continue financing the Company's operations with equity and/or debt issuances. The Company's management believes the Company's cash and cash equivalents on hand, are adequate to fund the Company's operations for at least the next 12 months. If adequate funds are not available, the Company may be required to delay, reduce the scope of, or eliminate part or all of its research and development programs.

Basis of Presentation

The accompanying condensed financial statements have been prepared by the Company, without audit, pursuant to the rules and regulations of the SEC. Certain information and footnote disclosures normally included in annual financial statements prepared in accordance with U.S. generally accepted accounting principles (GAAP) have been condensed or omitted pursuant to such rules and regulations. The condensed financial statements may not include all disclosures required by U.S. GAAP; however, the Company believes that the disclosures are adequate to make the information presented not misleading. These unaudited condensed financial statements should be read in conjunction with the audited financial statements and the notes thereto for the fiscal year ended December 31, 2017 included in the Company's Annual Report on Form 10-K filed with the SEC on March 20, 2018. The condensed balance sheet at December 31, 2017 was derived from the audited financial statements.

In the opinion of management, all adjustments, consisting of only normal recurring adjustments that are necessary to present fairly the financial position, results of operations, and cash flows for the interim periods, have been made. The results of operations for the interim periods are not necessarily indicative of the operating results for the full fiscal year or any future periods.

2. Summary of Significant Accounting Policies

Use of Estimates

The preparation of condensed financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the condensed financial statements and accompanying notes. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Company considers all highly liquid investments with an original maturity of 90 days or less at the time of deposit to be cash equivalents. The Company invests excess cash in readily available checking and savings accounts and invests in highly liquid investments in money market accounts.

Fair Value of Financial Instruments

The Company's condensed financial instruments include principally cash and cash equivalents, other assets, accounts payable, accrued liabilities and debt. The carrying amounts for these condensed financial instruments reported in the balance sheets approximate their fair values. See Note 10 — Fair Value Measurements, for further discussion of fair value.

General and Administrative Expenses

General and administrative expenses consist primarily of personnel-related costs, including salaries and share-based compensation costs, for personnel in functions not directly associated with research and development activities. Other

significant costs include legal fees related to intellectual property and corporate matters and professional fees for accounting and other services.

Research and Development Expenses

Research and development expenses consist of costs incurred in performing research and development activities, including compensation for research and development employees, costs associated with preclinical studies and trials, regulatory activities, manufacturing activities to support clinical activities, license fees, non-legal patent costs, fees paid to external service providers that conduct certain research and development, clinical costs and an allocation of overhead expenses. Research and development costs are expensed as incurred.

Income Taxes

The Company utilizes the liability method of accounting for income taxes as required by Accounting Standards Codification (ASC) 740, *Income Taxes*. Under this method, deferred tax assets and liabilities are determined based on differences between financial reporting and the tax basis of assets and liabilities and are measured using enacted tax rates and laws that will be in effect when the differences are expected to reverse. Currently, there is no provision for income taxes, as the Company has incurred operating losses to date, and a full valuation allowance has been provided on the net deferred tax assets.

Share-Based Compensation

The Company accounts for share-based compensation in accordance with the provisions of ASC 718, *Compensation — Stock Compensation* (ASC 718). Accordingly, compensation costs related to equity instruments granted are recognized at the grant-date fair value. The Company records forfeitures when they occur. Share-based compensation arrangements to non-employees are accounted for in accordance with the applicable provisions of ASC 718 and ASC 505, *Equity*, using a fair value approach. The compensation costs of these arrangements are subject to re-measurement as the equity instruments vest and are recognized as expense over the related service period (typically the vesting period of the awards).

Segment Information

Operating segments are components of an enterprise for which separate financial information is available and is evaluated regularly by the Company's chief operating decision maker in deciding how to allocate resources and assessing performance. The Company's chief operating decision maker is its Chief Executive Officer. The Company's Chief Executive Officer views the Company's operations and manages its business in one operating segment, which is the business of development and commercialization of therapeutics for the treatment of dyslipidemia, a serious medical condition that increases the risk of life threatening cardiovascular disease including orphan indications and NAFLD/NASH. Accordingly, the Company has a single reporting segment.

Jumpstart Our Business Startups Act Accounting Election

As an emerging growth company under the Jumpstart Our Business Startups Act (JOBS Act), the Company is eligible to take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies. The Company has irrevocably elected not to avail itself of this exemption and, therefore, will be subject to the same new or revised accounting standards as other public companies that are not emerging growth companies.

Recently Adopted Accounting Pronouncements

In November 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. The objective of this ASU is to eliminate the diversity in practice related to the classification of restricted cash or restricted cash equivalents in the statement of cash flows. For public business entities, this ASU is

effective for annual and interim reporting periods beginning after December 15, 2017, with early adoption permitted. The amendments in this update should be applied retrospectively to all periods presented. The Company adopted this standard on January 1, 2018 and it did not have a material impact on the Company's financial statements.

In May 2017, the FASB issued ASU 2017-09, *Compensation - Stock Compensation (Topic 718): Scope of Modification Accounting* (ASU 2016-09), which provides guidance about which changes to the terms or conditions of a share-based payment awards require an entity to apply modification accounting in Topic 718. This pronouncement is effective for annual reporting periods beginning after December 15, 2017, with early adoption permitted. The Company has adopted this standard on January 1, 2018 and it did not have a material impact on the Company's financial statements.

In March 2018, the FASB issued ASU 2018-05, *Income Taxes (Topic 740)*, that codified the SEC Staff Accounting Bulletin 118 (SAB 118) issued on December 22, 2017, which provides guidance on accounting for the tax effects of the Tax Cuts and Jobs Act (the TCJA). SAB 118 provides a measurement period that should not extend beyond one year from the enactment date for companies to complete the accounting under ASC 740. In accordance with SAB 118, a company must reflect the income tax effects of those aspects of the TCJA for which the accounting under ASC 740 is complete. To the extent that a company's accounting for certain income tax effects of the TCJA is incomplete, but for which they are able to determine a reasonable estimate, it must record a provisional amount in the financial statements. Provisional treatment is proper in light of anticipated additional guidance from various taxing authorities, the SEC, the FASB, and even the Joint Committee on Taxation. If a company cannot determine a provisional amount to be included in the financial statements, it should continue to apply ASC 740 on the basis of the provisions of the tax laws that were in effect immediately before the enactment of the TCJA. The Company has applied this guidance to its financial statements.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which supersedes the revenue recognition requirements in FASB ASC 605. The new guidance primarily states that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. In January 2017 and September 2017, the FASB issued several amendments to ASU 2014-09, including updates stemming from SEC Accounting Staff Announcement in July 2017. The amendments and updates included clarification on accounting for principal versus agent considerations (i.e., reporting gross versus net), licenses of intellectual property and identification of performance obligations. These amendments and updates do not change the core principle of the standard but provide clarity and implementation guidance. The Company has adopted this standard on January 1, 2018 and selected the modified retrospective transition method. The Company modified its accounting policies to reflect the requirements of this standard; however, the planned adoption will not affect the Company's financial statements and related disclosures for these periods or future periods until the Company generates revenues.

Recent Accounting Pronouncements Not Yet Adopted

In January 2016, the FASB issued ASU No. 2016-01, *Financial Instruments — Overall: Recognition and Measurement of Financial Assets and Financial Liabilities.* The guidance affects the accounting for equity investments, financial liabilities under the fair value option and the presentation and disclosure requirements of financial instruments. The guidance is effective in the first quarter of fiscal 2019. Early adoption is permitted for the accounting guidance on financial liabilities under the fair value option. The Company is currently evaluating the impact of the new guidance on its financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)* and subsequently amended the guidance relating largely to transition considerations under the standard in January 2017 and July 2018. The objective of this update is to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. This ASU is effective for fiscal years beginning after December 15, 2018, including interim periods within those annual periods and is to be applied utilizing a modified retrospective approach. The Company is currently evaluating the new guidance to determine the impact it may have on its financial statements.

Gemphire Therapeutics Inc.
Notes to Condensed Financial Statements (unaudited), continued

In July 2017, the FASB issued ASU No. 2017-11, *Earnings Per Share, Distinguishing Liabilities from Equity and Derivatives and Hedging*, which changes the accounting and earnings per share for certain instruments with down round features. The amendments in this ASU should be applied using a cumulative-effect adjustment as of the beginning of the fiscal year or retrospective adjustment to each period presented and is effective for annual periods beginning after December 15, 2018, and interim periods within those periods. The Company is currently evaluating the requirements of this new guidance and has not yet determined its impact on the Company's financial statements.

In June 2018, the FASB issued ASU 2018-07, *Compensation - Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting (ASU 2018-07)*, which expands the scope of Topic 718 to include share-based payment transactions for acquiring goods and services from nonemployees. An entity should generally apply the requirements of Topic 718 to nonemployee awards except in circumstances where there is specific guidance on inputs to an option pricing model and the attribution of cost. ASU 2018-07 specifies that Topic 718 applies to all share-based payment transactions in which a grantor acquires goods or services to be used or consumed in a grantor's own operations by issuing share-based payment awards. The guidance also clarifies that Topic 718 does not apply to share-based payments used to effectively provide (1) financing to the issuer or (2) awards granted in conjunction with selling goods or services to customers as part of a contract accounted for under Topic 606. This guidance is effective for annual reporting periods beginning after December 15, 2018, with early adoption permitted, but no earlier than an entity's adoption date of Topic 606. The Company is currently evaluating the impact of the new guidance on its financial statements.

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement (ASU 2018-13)*. The new guidance modifies the disclosure requirements in Topic 820 as follows:

- Removals: the amount of and reasons for transfers between Level 1 and Level 2 of the fair value hierarchy; the policy for timing of transfers between levels; and the valuation processes for Level 3 fair value measurements.

- Modifications: for investments in certain entities that calculate net asset value, an entity is required to disclose the timing of liquidation of an investee's assets and the date when restrictions from redemption might lapse only if the investee has communicated the timing to the entity or announced the timing publicly; and the amendments clarify that the measurement uncertainty disclosure is to communicate information about the uncertainty in measurement as of the reporting date.

- Additions: the changes in unrealized gains and losses for the period included in other comprehensive income for recurring Level 3 fair value measurements held at the end of the reporting period; and the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements.

This guidance is effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. The amendments on changes in unrealized gains and losses, the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements, and the narrative description of measurement uncertainty should all be applied prospectively for only the most recent interim or annual period presented in the initial year of adoption. All other amendments should be applied retrospectively to all periods presented upon their effective date. Early adoption is permitted. An entity is permitted to early adopt any removed or modified disclosures upon issuance of ASU 2018-13 and delay adoption of the additional disclosures until their effective date. The Company is currently evaluating the impact of the new guidance on its financial statements.

Gemphire Therapeutics Inc.
Notes to Condensed Financial Statements (unaudited), continued

3. Accrued Liabilities

Accrued liabilities consist of the following (in thousands):

	September 30, 2018	December 31, 2017
Accrued compensation and other payroll liabilities	$ 368	$ 306
Workforce reduction severance	360	—
Legal costs	109	91
Accrued interest	42	38
Other research and development expenses	674	522
Other general and administrative expenses	32	53
Total	$ 1,585	$ 1,010

The workforce reduction severance resulted from the Company's Board of Directors approval on September 18, 2018 of a workforce reduction involving 5 employees (or 33% of the workforce at that time) to lower costs and conserve cash resources in light of the previously announced request by the Food and Drug Administration (FDA) for additional pre-clinical data required in order to schedule an End of Phase 2 (EOP2) meeting for gemcabene in the Company's target indications. Related expenses recognized during the quarter totaled approximately $1.3 million, of which approximately $0.6 million was recorded as general and administrative expense and $0.7 million was recorded as research and development expense. $360,000 remained unpaid at the end of the third quarter.

4. Debt

Term Loan

On July 24, 2017, the Company entered into a Loan and Security Agreement (the Loan Agreement) with Silicon Valley Bank (SVB) for a term loan of up to $15.0 million (the Term Loan), subject to funding in several tranches. The Company drew the initial tranche of $10.0 million on July 24, 2017. An additional tranche of $5.0 million (Tranche C) may have been available to be drawn by the Company through July 31, 2018 conditioned on the occurrence of certain clinical and pre-clinical milestones. Certain provisions of the Loan Agreement were conditioned on a pre-clinical event (as defined below) occurring by July 31, 2018. A pre-clinical event had not occurred as of July 31, 2018 and, on such date, the Company and SVB amended the Loan Agreement (the Loan Amendment).

As amended by the Loan Amendment, all amounts advanced under the Term Loan mature on February 1, 2021 and have an interest-only monthly payment period through November 1, 2018 (previously August 1, 2018); the interest-only period may be extended to February 1, 2019 conditioned on the occurrence of both a positive clinical trial event (evidence of which was provided to SVB on November 10, 2017) and a pre-clinical event. Following the interest-only payment period, the Company must begin making monthly payments of principal and interest until the maturity date. A pre-clinical event had not occurred as of November 1, 2018, and the Company began making monthly payments of principal and interest. See Note 14 – *Subsequent Events*.

Interest will accrue on the unpaid principal balance at a floating per annum rate equal to the prime rate, except that, following an event of default, interest will accrue at a rate up to 5% above the rate that is otherwise applicable. The prime rate in effect for the nine month period ending September 30, 2018 ranged from 4.5% to 5.25%. Lastly, debt issue costs that were incurred upon the July 2017 issuance of the Term Loan in the amount of $0.1 million were recorded as a discount to the Term Loan and are being amortized ratably to interest expense over the term of the loan.

The Company's obligations under the Loan Agreement may be accelerated by SVB upon the occurrence of an event of default. An event of default includes customary events for a financing arrangement of this type, including, without limitation, payment defaults, defaults in the performance of affirmative or negative covenants, bankruptcy or related

defaults, defaults on certain other indebtedness, defaults under certain other agreements, the imposition of judgments or penalties, the material inaccuracy of representations or warranties, material adverse changes and revocations of government approvals.

As amended by the Loan Amendment, the Loan Agreement requires the Company to pay the following fees: (i) upon the maturity, acceleration or prepayment of the Term Loan, a final payment fee of 10% of the funded principal amount of the Term Loan which was recorded as a liability upon issue and then discounted to be subsequently amortized ratably to interest expense over the term of the loan, (ii) a success fee of 3.5% of the funded principal amount of the Term Loan in the event any of the following occur prior to 5:00 pm Eastern Time on July 24, 2024: (a) the Company receives FDA approval for any new drug application for gemcabene, (b) a sale or other transfer of all or substantially all of the assets of the Company occurs, (c) a merger or consolidation of the Company with or into another person or entity occurs where the holders of the Company's outstanding voting equity securities immediately prior to such merger or consolidation hold less than a majority of the issued and outstanding voting equity securities of the successor immediately following such transaction or (d) any sale by the holders of the Company's outstanding voting equity securities where such holders do not continue to hold at least a majority of the Company's issued and outstanding voting equity securities, and (iii) upon termination of the Loan Agreement prior to the maturity date for any reason, a prepayment fee equal to 2% (if such prepayment occurs prior to the first anniversary of the Loan Amendment) or 1% (if such prepayment occurs thereafter) of the funded principal amount of the Term Loan.

Subject to certain exceptions, the Loan Agreement contains covenants prohibiting the Company from, among other things: (a) disposing of properties or assets; (b) liquidating or dissolving; (c) engaging in any business other than the business currently engaged in by the Company or reasonably related thereto; (d) engaging in business combinations or acquisitions or permitting or suffering any change in control; (e) incurring any additional indebtedness; (f) allowing any lien or encumbrance on any property; (g) paying any dividends or distributions; (h) entering into transactions with affiliates; and (i) making payment on subordinated debt.

In the event a positive clinical trial event had not occurred by March 31, 2018, on such date, the Company would have been required to (i) provide cash security and maintain a cash balance in a restricted account at SVB in an amount of at least 50% of the amounts the Company owes to SVB or (ii) prepay the Term Loan in its entirety. On November 10, 2017, the Company provided SVB evidence of a Positive Clinical Trial Event.

If a pre-clinical event does not occur on or prior to September 30, 2019 (previously July 31, 2018) or, pursuant to the Loan Amendment, if at any time prior to a pre-clinical event, the Company's unrestricted cash balance at SVB is less than $18 million, on such date, the Company must either (i) provide cash security and maintain a cash balance in a restricted account at SVB in an amount of at least 100% of the amounts the Company owes to SVB or (ii) prepay the Term Loan in its entirety. In the event that cash security is provided, it would be presented as restricted cash on our balance sheet.

In each case, if the Company chooses to prepay the Term Loan, in addition to the repayment of the outstanding principal and accrued and unpaid interest, the Company is required to pay the final payment fee and, if applicable, the success fee, but not the prepayment fee.

As amended by the Loan Amendment, Tranche C is now available through November 30, 2018 (previously available through July 31, 2018). Tranche C is now conditioned upon, in addition to the occurrence of a positive clinical trial event (evidence of which was provided to SVB on November 10, 2017) and a pre-clinical event, the occurrence of a positive Phase 2 NASH event. "Pre-clinical event" means the receipt by SVB of a written electronic communication from our chief executive officer or chief financial officer, together with supporting documentation from the FDA, that the FDA has lifted the partial clinical hold with respect to clinical trials of longer than six months in duration for gemcabene. "Positive Phase 2 NASH event" means public disclosure by the Company of evidence satisfactory to SVB, in its sole but reasonable discretion, that the Company has received positive Phase 2 interim data on either its adult familial partial lipodystrophy proof-of-concept clinical trial or its pediatric NAFLD proof-of-concept clinical trial. The Company does not expect to meet the two remaining conditions before November 30, 2018 and thus will not access Tranche 3.

Gemphire Therapeutics Inc.
Notes to Condensed Financial Statements (unaudited), continued

In connection with the Loan Amendment, the Company issued a warrant to SVB (the Warrant) to purchase 36,000 shares of the Company's common stock at an exercise price of $7.47 per share on July 31, 2018. The Warrant is immediately exercisable and has a term of ten years. The exercise price and number and type of shares underlying the Warrant are subject to adjustment upon specified events, including any stock dividends and splits, reverse stock split, recapitalization, reorganization or similar transaction, as described therein. The Warrant contains a "cashless exercise" feature that allows SVB to exercise the Warrant without a cash payment to the Company, on a net issuance basis, based upon the fair market value of the Company's common stock at the time of exercise, upon the terms set forth therein. The Warrant was deemed to be a free-standing instrument and was accounted for as equity. The Company recorded $0.2 million to additional paid-in capital upon issuance with an offset to a discount to the Term Loan. A Black-Scholes pricing model was used to estimate the aggregate fair value of the Warrant on the issuance date. Input assumptions used were as follows: risk-free interest rate of 2.96 percent; expected volatility of 66 percent; expected life of 10 years; and expected dividend yield of 0 percent. The discount to the Term Loan associated with the Warrant is being amortized as interest expense over the term of the Loan Agreement and amounted to $13,000 for the three and nine month periods ended September 30, 2018.

In connection with the Loan Amendment, the Company was charged $10,000 by SVB and the fee was recorded as a discount to the Term Loan; the discount is being amortized as interest expense over the term of the Loan Agreement and amounted to $1,000 for the three and nine month periods ended September 30, 2018. In addition, the Company incurred $20,000 in third-party legal fees which were recorded to general and administrative expense in the accompanying condensed statements of comprehensive loss during the three and nine month periods ended September 30, 2018.

The Company was in compliance with the Loan Agreement covenants as of September 30, 2018.

The Company recorded $0.2 million and $0.6 million in interest expense related to the Term Loan for the three and nine month periods ended September 30, 2018, respectively, and $0.1 million during the three and nine month periods ended September 30, 2017.

As of September 30, 2018, the minimum aggregate future payments under the Term Loan are as follows (in thousands):

	September 30,
2018	$ 870
2019	4,809
2020	4,573
2021	1,370
Total minimum payments	11,622
Amount representing interest and discounts	(1,543)
Present value of minimum payments	10,079
Current portion	(3,681)
Long-term portion	$ 6,398

Future minimum interest payments under the Term Loan are assumed at a 5.25% per annum rate.

5. Commitments and Contingencies

Pfizer License Agreement

In April 2011, the Company and Pfizer Inc. (Pfizer) entered into an exclusive license agreement for the clinical product candidate gemcabene, which was subsequently amended and restated in August 2018 (as so amended, the Pfizer Agreement). In exchange for this worldwide exclusive license to certain patent rights and a non-exclusive royalty bearing right and license to certain related data to make, use, develop, commercialize, import and otherwise exploit the clinical product candidate gemcabene, the Company agreed to certain milestone and royalty payments on future sales

Gemphire Therapeutics Inc.
Notes to Condensed Financial Statements (unaudited), continued

(See Note 6 — *License Agreement)*. As of September 30, 2018, there was sufficient uncertainty with regard to both the outcome of the clinical trials and the ability to obtain sufficient funding to support any of the cash milestone payments under the Pfizer Agreement, and as such, no liabilities were recorded related to the Pfizer Agreement.

Other Agreements

In May 2016, the Company entered into a non-cancellable lease agreement for its headquarters location, commencing in the third quarter of 2016. The initial term of the agreement is 3 years with an initial monthly base rent of approximately $8,400 and increasing to approximately $8,900 during the last year of the lease term. In conjunction with entering into the new lease agreement, the Company cancelled its original Northville, Michigan lease agreement, as amended, effective August 31, 2016 and renegotiated a new cancellable lease agreement for limited use of office space in the Northville location that expired in September 2017 that had nominal rent. The total rent expense was $26,000 during the three month periods ended September 30, 2018 and 2017, and $78,000 during the nine month periods ended September 30, 2018 and 2017.

Future minimum lease payments under the fixed non-cancellable operating lease through the August 2019 expiration date consist of the following (in thousands):

	September 30,
2018	$ 26
2019	71
Total	$ 97

Other Commitments and Contingencies

In the ordinary course of business, from time to time, the Company may be subject to a broad range of claims and legal proceedings that relate to contractual allegations, patent infringement, employment-related matters and other claims. The Company establishes accruals for matters which it believes that losses are probable and can be reasonably estimated. Although it is not possible to predict with certainty the outcome of these matters, the Company is of the opinion that the ultimate resolution of these matters will not have a material adverse effect on its results of operations or financial position.

6. License Agreement

The Company is party to the Pfizer Agreement, as amended on August 2, 2018, for a worldwide exclusive license to certain patent rights and a non-exclusive royalty bearing right and license to certain related data to make, use, develop, commercialize, import and otherwise exploit the clinical product candidate gemcabene. Pfizer retains the right to make, use and import gemcabene solely for internal research purposes.

In partial exchange for the rights granted by Pfizer, the Company agreed to issue shares of its common stock to Pfizer representing 15% of the Company's fully diluted capital at the close of its first arms-length Series A financing, which occurred on March 31, 2015.

The Company agreed to make milestone payments totaling up to $37 million upon the achievement of certain milestones, including the first new drug application (or its foreign equivalent) in any country, regulatory approval in each of the United States, Europe and Japan, the first anniversary of the first regulatory approval in any country, and upon achieving certain aggregate sales levels of gemcabene. Future milestone payments under the Pfizer Agreement, if any, are not expected to begin for at least several years and extend over a number of subsequent years.

The Company also agreed to pay Pfizer tiered royalties on a country-by-country basis based upon the annual amount of

net sales, as specified in the Pfizer Agreement, until the later of: (a) five (5) years after the first commercial sale in such country; (b) the expiration of all regulatory or data exclusivity for gemcabene in such country; and (c) the expiration or abandonment of the last valid claim of the licensed patents, including any patent term extensions or supplemental protection certificates in such country (collectively, the Royalty Term). Under the Pfizer Agreement, the Company is obligated to use commercially reasonable efforts to develop and commercialize gemcabene.

On March 31, 2015, upon the closing of the Series A preferred stock financing, the Company issued 675,250 shares of its common stock, at a fair market value of $0.9 million, to Pfizer in connection with the first equity payment, pursuant to which Pfizer became the owner of more than 5% of the Company's capital stock. The transaction was recorded as acquired in-process research and development expenses based on the fair market value of the common shares issued since no processes or activities that would constitute a "business" were acquired and none of the rights and underlying assets acquired had alternative future uses or reached a stage of technological feasibility. None of the other milestone or royalty payments were triggered as of September 30, 2018.

The Pfizer Agreement will expire upon expiration of the last Royalty Term. On expiration (but not earlier termination), the Company will have a perpetual, exclusive, fully paid-up, royalty-free license under the licensed patent rights and related data to make, use, develop, commercialize, import and otherwise exploit the clinical product candidate gemcabene. Either party may terminate the Pfizer Agreement for the other party's material breach following a cure period or immediately upon certain insolvency events relating to the other party. Pfizer may immediately terminate the Pfizer Agreement in the event that (i) the Company or any of its affiliates or sublicenses contests or challenges, or supports or assists any third party to contest or challenge, Pfizer's ownership of or rights in, or the validity, enforceability or scope of any of the patents licensed under the Pfizer Agreement or (ii) the Company or any of its affiliates or sublicensees fails to achieve the first commercial sale in at least one country by April 16, 2024. Furthermore, upon termination of the Pfizer Agreement by Pfizer for any of the foregoing reasons, the Company grants Pfizer a non-exclusive, fully paid-up, royalty free, worldwide, transferrable, perpetual and irrevocable license to use any intellectual property rights arising from the development or commercialization of gemcabene by the Company and any trademarks identifying gemcabene and agrees to transfer regulatory filings and approvals to Pfizer or permit Pfizer to cross-reference and rely on such regulatory filings and approvals for gemcabene. The Company may terminate the License Agreement for convenience upon 90 days' written notice and payment of an early termination fee.

7. Stockholders' Equity

Common Stock

The Company had 14,265,411 and 10,633,042 shares of its common stock issued and outstanding as of September 30, 2018 and December 31, 2017, respectively. Voting, dividend and liquidation rights of the holders of the common stock are subject to the Company's articles of incorporation, corporate bylaws and underlying shareholder agreements.

In the first quarter of 2018, the Company completed the Follow-On Offering of 3,592,858 shares of common stock which includes 450,000 shares of common stock purchased by the underwriters upon the partial exercise of their overallotment option, at the public offering price of $7.00 per share. The Company received net proceeds of approximately $23.1 million after deducting underwriting discounts and commissions and offering expenses. The costs incurred related to the Follow-On Offering were $2.1 million through September 30, 2018.

On March 15, 2017, the Company issued and sold 1,324,256 units at a price of $9.47 per unit for gross proceeds of approximately $12.5 million in connection with the Private Placement. Each unit consisted of one share of the Company's common stock and a warrant to purchase 0.75 shares of common stock. The Company received net proceeds of approximately $11.3 million after deducting underwriting discounts and commissions and offering expenses. Offering costs incurred related to the 2017 Private Placement were $1.3 million through September 30, 2018 and December 31, 2017.

Warrants

In connection with the Private Placement, the Company issued warrants to the investors participating in the financing to purchase an additional 993,204 shares of common stock. The warrants have a term of five years and were exercisable immediately upon issuance with an exercise price equal to $10.40 per share. The warrants were classified as additional paid-in capital and recorded based on their relative fair value to the underlying common shares issued in the Private Placement. The fair market value of the warrants was approximately $4.9 million. The warrants were valued using the Black-Scholes pricing model with the following assumptions: a risk-free interest rate of 2.0%, a contractual term of five years, zero dividend yield and a volatility factor of 65.1%.

In connection with the Loan Amendment, the Company issued a warrant to SVB to purchase an additional 36,000 shares of common stock on July 31, 2018 (See Note 4 – *Debt*).

During the three and nine month periods ending September 30, 2018 and 2017, no warrants were exercised. As of September 30, 2018 and December 31, 2017, warrants to purchase 1,014,204 and 978,204 shares of common stock were outstanding, respectively.

Dividend Rights

Common stock holders are entitled to receive dividends at the sole discretion of the board of directors of the Company. There have been no dividends declared on common stock as of September 30, 2018. Furthermore, the Loan Agreement contains covenants prohibiting the Company from, among other things, paying dividends or distributions.

Voting Rights

The holders of common stock are entitled to one vote for each share of common stock along with all other classes and series of stock of the Company on all actions to be taken by the stockholders of the Company, including actions that would amend the certificate of incorporation of the Company to increase the number of authorized shares of the common stock.

Liquidation Rights

In the event of any liquidation, dissolution, or winding-up of the Company, the holders of common stock shall be entitled to share in the remaining assets of the Company available for distribution post preferential distributions made to preferred stockholders, if any.

8. Share-Based Compensation

Share-based compensation expense was included in general and administrative and research and development expenses as follows in the accompanying condensed statements of comprehensive loss (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
General and administrative	$ 861	$ 420	$ 2,008	$ 3,673
Research and development	766	316	1,548	862
Total share-based compensation	$ 1,627	$ 736	$ 3,556	$ 4,535

During the third quarter of 2018, the separation of two of the Company's executives resulted in a $0.9 million charge to stock-based compensation expense due to stock option vesting acceleration as provided for in their respective

employment agreements. $0.4 million of the charge was stock-based compensation expense under general and administrative expenses and $0.5 million of the charge was stock-based compensation expense under research and development expenses. These stock options will remain exercisable until the termination dates of the underlying award agreements ranging from August 2026 to January 2028. During the second quarter of 2017, the separation of the Company's former chief executive officer resulted in a $2.1 million charge to stock-based compensation expense under general and administrative expenses due to stock option vesting acceleration as provided for in the separation agreement. These stock options will remain exercisable until the August 3, 2026 termination date of the underlying award agreement. The remaining 150,000 stock options held by the former chief executive officer that would have otherwise vested after August 4, 2019 will be eligible for vesting only in the event of a change of control occurring prior to August 4, 2019.

Restricted Stock Awards

During the three and nine months ended September 30, 2018 and 2017, the Company did not grant any restricted stock awards (RSAs). The RSAs previously granted were subject to various vesting schedules and generally vested ratably over a six to 24 month period coinciding with their respective service periods. During the three and nine months ended September 30, 2018, no RSAs vested. During the three and nine months ended September 30, 2017, zero and 4,009 RSAs vested, respectively. No RSAs were forfeited during the three and nine month periods ended September 30, 2018 or 2017.

Stock Options

In April 2015, the Company adopted a 2015 Equity Incentive Plan (the 2015 Plan) under which 320,615 shares of the Company's common stock were reserved for issuance to employees, directors and consultants. The 2015 Plan permits the grant of incentive and non-statutory stock options, appreciation rights, restricted stock, restricted stock units, performance stock and cash awards, and other stock-based awards.

Amended and Restated 2015 Equity Incentive Plan

In April 2016, the Company's board of directors approved the Company's amended and restated 2015 Plan (the A&R 2015 Plan). The Company's stockholders also approved the A&R 2015 Plan in April 2016 and the A&R 2015 Plan became effective immediately upon the execution and delivery of the underwriting agreement related to the IPO. The A&R 2015 Plan provides for the grant of stock options, stock appreciation rights, restricted stock awards, restricted stock unit awards, performance-based stock awards and other forms of equity awards, as well as performance cash awards. The Company initially reserved 2,400,000 shares of common stock for issuance under the A&R 2015 Plan.

Under the A&R 2015 Plan, the number of shares of common stock reserved for issuance thereunder automatically increases on January 1st of each year, for a period of 10 years commencing on January 1, 2017 and ending on (and including) January 1, 2026, to an amount equal to 20% of the Company's fully-diluted shares as of December 31st of the preceding calendar year. Notwithstanding the foregoing, the Company's board of directors may act prior to January 1st of a given year to provide that there will be no January 1st increase in the shares reserved for such year, or that the increase in shares reserved for such year will be less than would have otherwise been allowed under the provision. Effective January 1, 2018, 415,077 shares were added to the A&R 2015 Plan under the share reserve provision. On April 9, 2018, the Company's board of directors adopted, and on May 22, 2018, the Company's stockholders approved, an amendment to the A&R 2015 Plan to increase the number of shares reserved under the A&R 2015 Plan by 300,000 shares to make such shares available for grant in 2018. As a result, the total share reserve as of September 30, 2018 was 3,115,077 shares.

Inducement Plan

In September 2016, the Company's board of directors approved the Company's Inducement Plan (the Inducement Plan). The Company initially reserved 300,000 shares of its common stock to be used exclusively for grants of awards to individuals who were not previously employees or directors of the Company, as an inducement material to the

individual's entry into employment with the Company within the meaning of Rule 5635(c)(4) of the NASDAQ Listing Rules. The Plan was approved by the Company's board of directors without stockholder approval pursuant to Rule 5635(c)(4), and the terms and conditions of the Plan are substantially similar to the Company's stockholder-approved A&R 2015 Plan. On April 9, 2018, the Company's board of directors approved an amendment to the Inducement Plan to increase the number of shares reserved under the Inducement Plan by 150,000 shares, bringing the total amount of authorized shares reserved under the Inducement Plan to 450,000 shares.

2016 Employee Stock Purchase Plan

In April 2016, the Company's board of directors approved the 2016 Employee Stock Purchase Plan (the ESPP) in order to enable eligible employees to purchase shares of the Company's common stock at a discount following the effective date of the IPO. The Company's stockholders also approved the ESPP in April 2016 and the ESPP became effective immediately upon the execution and delivery of the underwriting agreement related to the IPO. The Company initially reserved 150,000 shares of common stock for issuance under the ESPP. As of September 30, 2018, no shares have been purchased under the ESPP.

During the three months ended September 30, 2018 and 2017, the Company granted an aggregate of zero and 65,000 stock options, respectively, and the Company granted an aggregate of 822,000 and 248,500 stock options during the nine months ended September 30, 2018 and 2017, respectively, under the A&R 2015 Plan and the Inducement Plan to its officers, directors, employees and consultants, generally vesting over a four-year period. The weighted average grant date fair value for option shares granted during the three months ended September 30, 2018 and 2017 was zero and $10.65 per share, respectively, and $5.07 and $7.35 per share during the nine month periods ended September 30, 2018 and 2017, respectively.

The Company measures the fair value of stock options to employees, consultants and directors on the date of grant with service-based and performance-based vesting criteria using the Black-Scholes option pricing model and market-based vesting criteria using a Monte Carlo simulation model. The fair value of equity instruments issued to non-employees is re-measured as the award vests. The Company does not have history to support a calculation of volatility and expected term. As such, the Company has used a weighted-average volatility considering the volatilities of several guideline companies.

For purposes of identifying similar entities, the Company considered characteristics such as industry, length of trading history, and stage of life cycle. The assumed dividend yield was based on the Company's expectation of not paying dividends in the foreseeable future. The average expected life of the options was determined based on the mid-point between the vesting date and the end of the contractual term according to the "simplified method" as described in Staff Accounting Bulletin 110. The risk-free interest rate is determined by reference to implied yields available from U.S. Treasury securities with a remaining term equal to the expected life assumed at the date of grant. The Company records forfeitures when they occur.

The weighted-average assumptions used in the Black-Scholes option-pricing and Monte Carlo simulation models are as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Expected stock price volatility	—	66.5%	66.3%	65.8%
Expected life of options (years)	—	6.1	5.8	5.9
Expected dividend yield	—	0%	0%	0%
Risk free interest rate	—	2.0%	2.7%	2.0%

During the three months ended September 30, 2018 and 2017, 279,924 and 125,115 stock options vested, respectively, and 587,334 and 713,140 stock options vested during the nine months ended September 30, 2018 and 2017, respectively.

Gemphire Therapeutics Inc.
Notes to Condensed Financial Statements (unaudited), continued

During the third quarter of 2018, the separation of two of the Company's executives resulted in the vesting of 135,500 stock options due to stock option vesting acceleration as provided for in their respective employment agreements. During the second quarter of 2017, the separation of the Company's former chief executive officer resulted in the vesting of 337,500 stock options due to stock option vesting acceleration as provided for in her employment agreement.

During the three months ended September 30, 2018 and 2017, 307,121 and zero stock options were forfeited, respectively. During the nine months ended September 30, 2018 and 2017, 422,010 and 3,250 stock options were forfeited, respectively. As of September 30, 2018, 2,823,732 stock options were outstanding, 1,693,952 stock options were vested and 678,303 shares in the aggregate were available for future issuance under the A&R 2015 and Inducement Plans.

Unrecognized share-based compensation cost for stock options issued under the A&R 2015 Plan and the Inducement Plan was $4.8 million as of September 30, 2018. The non-employee portion of the unrecognized compensation cost was estimated utilizing the Company's fair market value for its common stock as of September 30, 2018. The unrecognized share-based expense is expected to be recognized over a weighted average period of 1.7 years for the stock options. There was no remaining unrecognized stock-based compensation related to the RSAs as of September 30, 2018.

9. Net Loss Per Common Share

Basic earnings or loss per share of common stock is computed by dividing net loss by the weighted average number of shares of common stock outstanding during the period. Diluted earnings or loss per share of common stock is computed similarly to basic earnings or loss per share except the weighted average shares outstanding are increased to include additional shares from the assumed exercise of any common stock equivalents, if dilutive. The Company's RSAs, stock options and warrants are considered common stock equivalents while outstanding for this purpose. Diluted earnings are computed utilizing the treasury method for stock options and warrants. No incremental common stock equivalents were included in calculating diluted loss per share because such inclusion would be anti-dilutive given the net loss reported for the three and nine months ended September 30, 2018 and 2017. The following table sets forth the computation of basic and diluted loss per share for the three and nine months ended September 30, 2018 and 2017 (in thousands, except share and per share amounts):

	Three Months Ended		Nine Months Ended	
	2018	2017	2018	2017
Numerator:				
Net loss	$ (6,079)	$ (8,671)	$ (19,981)	$ (26,669)
Denominator:				
Basic and diluted weighted average common shares outstanding	14,259,691	10,623,601	13,650,556	10,253,437
Basic and diluted net loss per share	$ (0.43)	$ (0.82)	$ (1.46)	$ (2.60)

The following potential common shares were not considered in the computation of diluted net loss per share as their effect would have been anti-dilutive during the three and nine months ended September 30, 2018 and 2017:

	Three Months Ended		Nine Months Ended	
	2018	2017	2018	2017
Stock options	2,823,732	2,464,140	2,823,732	2,464,140
Warrants	1,014,204	978,204	1,014,204	978,204

10. Fair Value Measurements

The Company follows accounting guidance that emphasizes that fair value is a market-based measurement, not an entity specific measurement. Fair value is defined as "the price that would be received to sell an asset or paid to transfer a

liability in an orderly transaction between market participants at the measurement date." Fair value measurements are defined on a three level hierarchy:

Level 1 inputs: Unadjusted quoted prices for identical assets or liabilities in active markets;

Level 2 inputs: Quoted prices for similar assets and liabilities in active markets, quoted prices in markets that are not active, or inputs which are observable, weather directly or indirectly, for substantially the full term of the asset or liability;

Level 3 inputs: Unobservable inputs that reflect the Company's own assumptions about the assumptions market participants would use in pricing the asset or liability in which there is little, if any, market activity for the asset or liability at the measurement date.

As of September 30, 2018 and December 31, 2017, the fair values of cash and cash equivalents, other assets, accounts payable and accrued liabilities approximated their carrying values because of the short-term nature of these assets or liabilities. The estimated fair value of the Company's Term Loan was based on amortized cost which was deemed to approximate fair value. There were no transfers between fair value hierarchy levels during the three and nine months ended September 30, 2018 and 2017.

There were no instruments measured on a recurring fair value basis as of September 30, 2018 and December 31, 2017. In addition, no financial instruments were measured on a non-recurring basis for any of the periods presented.

11. Income Taxes

On December 22, 2017, the Tax Cuts and Jobs Act (the TCJA), which significantly modified U.S. corporate income tax law, was signed into law by President Trump. The TCJA contains significant changes to corporate income taxation, including but not limited to the reduction of the corporate income tax rate from a top marginal rate of 35% to a flat rate of 21%, limitation of the tax deduction for interest expense to 30% of earnings (except for certain small businesses), limitation of the deduction for net operating losses to 80% of current year taxable income and generally eliminating net operating loss carrybacks, allowing net operating losses to carryforward without expiration, one-time taxation of offshore earnings at reduced rates regardless of whether they are repatriated, elimination of U.S. tax on foreign earnings (subject to certain important exceptions), immediate deductions for certain new investments instead of deductions for depreciation expense over time, and modifying or repealing many business deductions and credits (including changes to the orphan drug tax credit and changes to the deductibility of research and experimental expenditures that will be effective in the future). Notwithstanding the reduction in the corporate income tax rate, the overall impact of the new federal tax law is uncertain, including to what extent various states will conform to the newly enacted federal tax law.

The Company has recorded the necessary provisional adjustments in the financial statements in accordance with its current understanding of the TCJA and guidance currently available as of this filing and recorded a provisional reduction of $6.8 million to its gross deferred tax assets in the fourth quarter of 2017, the period in which the legislation was enacted. The provisional reduction was fully offset by an equal reduction in the Company's valuation allowance given the Company's historical net losses, resulting in no net income tax expense being recorded. The Company may adjust these provisional amounts in future periods if its interpretation of the TCJA changes or as additional guidance becomes available. Any subsequent adjustment to these amounts is not expected to have a significant impact due to the valuation allowance.

The effective tax rate for the three and nine months ended September 30, 2018 and 2017 was zero percent. As a result of the analysis of all available evidence as of September 30, 2018 and December 31, 2017, the Company recorded a full valuation allowance on its net deferred tax assets. Consequently, the Company reported no income tax benefit for the three and nine month periods ended September 30, 2018 and 2017. If the Company's assumptions change and the Company believes that it will be able to realize these deferred tax assets, the tax benefits relating to any reversal of the valuation allowance on deferred tax assets will be recognized as a reduction of future income tax expense. If the assumptions do not change, each period the Company could record an additional valuation allowance on any increases in

the deferred tax assets.

12. Defined Contribution Plan

The Company adopted a 401(k) defined contribution plan on September 5, 2017, effective as of January 1, 2017, for all employees over age 21. Employees can defer up to 100% of their compensation through payroll withholdings into the plan subject to federal law limits. Effective January 1, 2018, the Company began matching contributions on deferrals at 100% of deferrals up to 3% of one's contributions and 50% on deferrals over 3%, but not exceeding 5% of one's contributions in order to satisfy certain non-discrimination tests required by the Internal Revenue Code. Employee contributions and any employer matching contributions made to satisfy certain non-discrimination tests required by the Internal Revenue Code are 100% vested upon contribution. Discretionary employer matches vest over a six-year period beginning on the second anniversary of an employee's date of hire. The amount of matching contributions made during the three and nine month periods ended September 30, 2018 was $30,000 and $84,000, respectively. There were no matching contributions made during the comparable periods in 2017.

13. Related Party Transactions

The Company rented an office in Northville, Michigan from an LLC owned by one current and one former officer under short-term agreements during the three and nine month periods ended September 30, 2017. The original facility lease, as amended, was cancelled and replaced with a cancellable lease agreement in the third quarter of 2016 for limited use of office space in the same Northville location. The new lease agreement became effective in the third quarter of 2016 and expired in September 2017 with a nominal base rent over its term. There was no rent expense under the related party agreements during the three and nine months ended September 30, 2018.

In the first quarter of 2018, in connection with an underwritten public offering of 3,592,858 shares of common stock, the offering included 14,286 shares sold to 1 officer, for aggregate proceeds totaling approximately $0.1 million and 71,429 shares sold to 1 investor who is an affiliate of 1 officer and board member, for proceeds totaling approximately $0.5 million.

The Private Placement in 2017 included 56,678 units sold to three board members, for aggregate proceeds totaling approximately $0.5 million, and 52,798 units sold to one investor who was related to one board member, for proceeds totaling approximately $0.5 million.

14. Subsequent Events

Term Loan

A pre-clinical event had not occurred as of November 1, 2018, and therefore, the Company began making monthly payments of principal and interest.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion of our financial condition and results of operations should be read in conjunction with the condensed financial statements and related notes included in Part I "Financial Information", Item I "Financial Statements" of this Quarterly Report on Form 10-Q and the audited financial statements and related notes for the fiscal year ended December 31, 2017 included in our Annual Report on Form 10-K filed on March 20, 2018.

Forward-Looking Statements

Certain statements contained in this Quarterly Report on Form 10-Q are not statements of historical fact and are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Forward-looking statements give current expectations or forecasts of future events or our future financial or operating performance. All statements other than statements of historical facts contained in this Quarterly Report on Form 10-Q are forward-looking statements. We may, in some cases, use words such as "anticipate," "believe," "could," "estimate," "expect," "intend," "may," "plan," "target," "contemplate," "potential," "predict," "project," "should," "will," "would" or the negative of those terms, and similar expressions that convey uncertainty of future events or outcomes to identify these forward-looking statements.

These forward-looking statements reflect our management's beliefs and views with respect to future events, are based on estimates and assumptions as of the date of this report and are subject to known and unknown risks and uncertainties, many of which are beyond our control, that could cause our actual results to differ materially from those in these forward-looking statements. We discuss many of these risks in greater detail under Part I, Item 1A "Risk Factors" in our Annual Report on Form 10-K filed on March 20, 2018, under Part II "Other Information," Item 1A "Risk Factors" of our Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2018 filed on August 14, 2018, under Part II "Other Information," Item 1A "Risk Factors" of this Quarterly Report on Form 10-Q and in subsequent reports filed with or furnished to the SEC. 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. Given these uncertainties, you should not place undue reliance on these forward-looking statements.

Any forward-looking statement made by us in this report speaks only as of the date hereof or as of the date specified herein. We undertake no obligation to publicly update any forward-looking statement, whether as a result of new information, future developments, changed circumstances or otherwise, except as may be required by applicable laws or regulations.

Overview

We are a clinical-stage biopharmaceutical company focused on developing and commercializing therapies for the treatment of dyslipidemia, a serious medical condition that increases the risk of life threatening cardiovascular disease, including orphan indications, as well as nonalcoholic fatty liver disease (NAFLD/NASH). Dyslipidemia is generally characterized by an elevation of LDL-C, or bad cholesterol, triglycerides, or fat in the blood, as well as inflammation, especially in metabolic syndrome patients. We are developing our product candidate gemcabene, a novel, once-daily, oral therapy, for high risk cardiovascular patients, including those with orphan indications, who are unable to achieve normal levels of LDL-C or triglycerides with currently approved therapies, primarily statin therapy, and for those patients who present with NASH. Gemcabene's mechanism of action enhances the clearance of VLDLs in the plasma and inhibit the production of fatty acids and cholesterol in the liver. In addition, gemcabene has been shown to markedly lower C-reactive protein and improve insulin sensitization. Gemcabene has been tested as monotherapy and in

combination with statins and other drugs in nearly 1,200 subjects, which we define as healthy volunteers and patients, across 25 Phase 1 and Phase 2 clinical trials and has demonstrated promising evidence of efficacy, safety and tolerability.

Overall, we are pursuing gemcabene in dyslipidema conditions where patients are unable to reach their lipid lowering goals, including patients already receiving maximally tolerated statin therapy. Within dyslipidemia, indications broadly include FH, ASCVD, SHTG and NASH. Within these broader indications are orphan diseases including HoFH, Familial Chylomicronemia Syndrome (FCS; TGs>880mg/dL), and Familial Partial Lipodystrophy (FPS) which represent clear unmet clinical needs because current therapies are considered inadequate. Historically, clinical trials for these orphan indications are smaller and FDA approvals have previously been based on surrogate endpoints (e.g., serum LDL-C or serum TGs). Consequently, we believe we can design efficient development plans to provide gemcabene as a treatment alternative for HoFH patients as well as FCS and FP patients. If approved for these indications, this could enable us to go to market initially by treating patients in the most severe segment of the dyslipidemia market, which could subsequently lead to trials in broader indications representing millions of individuals, such as SHTG and potentially ASCVD and NASH. This strategy of "orphan-first" trials can enhance brand awareness among key thought leaders and physicians while enabling us to get to market more quickly and efficiently.

We are developing gemcabene for multiple indications in parallel given its: (1) promising clinical data and mechanism in these indications; (2) cost-effective manufacturing process; (3) convenient oral dosing; (4) viability as adjunct combination therapy; and (5) large commercial potential. During 2016 to 2018, we initiated and completed three Phase 2b clinical trials for gemcabene in HoFH, hypercholesterolemia, including HeFH and ASCVD patients on maximally tolerated statins, and SHTG. We reported top line data from our 8 patient trial for HoFH (COBALT-1) in the second quarter of 2017, top line data from our 105 patient trial for hypercholesterolemia on high-intensity statin therapy including HeFH and ASCVD patients (ROYAL-1) in the third quarter of 2017, and top line data from our 91 patient trial in SHTG patients (INDIGO-1) in the second quarter of 2018. As previously announced, all three of these trials achieved statistical significance for their primary endpoints.

More recently we initiated two proof-of-concept Phase 2 clinical trials in NAFLD/NASH. A pediatric NAFLD trial was begun in the fourth quarter of 2017 to study gemcabene in adolescents 12-17 years old for treatment. As previously announced, in August 2018, the Data Safety Monitoring Board (DSMB) halted the trial early because of because of "unanticipated problems." Specifically, the first three patients showed that the primary and secondary efficacy endpoints, serum ALT and liver fat fraction (measured by MRI-PDFF), were either not improving or, in multiple cases, changing in the wrong direction. The principal investigator of this investigator initiated study continues to monitor the patients and the principal investigator and DSMB will report their findings once all the patient results have been collated and analyzed. We intend to work closely with the physicians at the clinical trial site, and other KOLs to identify potential reasons for these unexpected problems in the pediatric NAFLD study but cannot assure you that it will be possible to determine the reasons for the unexpected problems.

The second Phase 2 proof-of-concept trial treating FPL/NASH patients for 24 weeks is being conducted in an investigator initiated study at the University of Michigan. The principal investigator and DSMB for this trial reviewed the data from the pediatric trial as well interim data from the FPL trial and decided to continue the FPL trial. The principal investigator in the trial intends to closely monitor these patients while including MRI-PDFF scans to be reviewed at interim time points. Following the DSMB interim review, additional patients have been enrolled and top-line data, including MRI-PDFF, is expected in Q2 2019.

As announced previously, we completed and submitted to the FDA the results from our two year rodent carcinogenicity studies. These studies were submitted as part of a request for the FDA to remove the partial clinical hold that prevents us from conducting human studies of gemcabene that are greater than six months in duration. In response to our submission, the FDA did not lift the hold and requested that we provide additional data, including two preclinical studies, namely, a subchronic (13 week) study of gemcabene in PPARα knock-out mice and a study of gemcabene in *in vitro* PPAR transactivation assays using monkey and canine PPAR isoforms. We expect to submit this additional data to the FDA in the second quarter of 2019. In addition, the FDA informed us that an End of Phase 2 (EOP2) meeting to

reach an agreement on the design of Phase 3 registration and long term safety exposure trials for our target indications in dyslipidemia would not take place until the partial clinical hold is lifted.

To date, our primary activities have been conducting research and development activities, planning and conducting clinical trials, performing business and financial planning, recruiting personnel and raising capital. We do not have any products approved for sale and have not generated any revenue. We do not expect to generate revenue until, and unless, the FDA or other regulatory authorities approve gemcabene and we successfully commercialize gemcabene. Until such time, if ever, as we can generate substantial product revenue, we expect to finance our cash needs through a combination of equity and debt financings as well as collaborations, strategic alliances and licensing arrangements. Our net losses were $6.1 million and $8.7 million during the three months ended September 30, 2018 and 2017, respectively, and $20.0 million and $26.7 million during the nine months ended September 30, 2018 and 2017, respectively. As of September 30, 2018, we had an accumulated deficit of $80.5 million. Our net losses may fluctuate significantly from quarter-to-quarter and year-to-year, depending on the timing of our preclinical studies, clinical trials and our expenditures on other research and development activities.

Our Company was co-founded in November 2008 as a limited liability company under the name Michigan Life Therapeutics, LLC (MLT) by former Pfizer Inc. employees, including Dr. Charles Bisgaier, who were responsible for licensing exclusive worldwide rights to gemcabene from Pfizer in April 2011. In October 2014, we incorporated a new entity under the name Gemphire Therapeutics Inc. in Delaware. In November 2014, we entered into a merger agreement with Gemphire whereby MLT was merged with and into Gemphire, with Gemphire as the surviving entity and all outstanding units of membership interest in MLT were exchanged for shares of common stock of Gemphire. The purpose of the merger was to change the jurisdiction of our incorporation from Michigan to Delaware and to convert from a limited liability company to a corporation.

In August 2016, we consummated the initial public offering (our IPO) of our common stock pursuant to a registration statement on Form S-1. We sold an aggregate of 3,027,755 shares of our common stock, including 27,755 shares of our common stock purchased by the underwriters upon the partial exercise of their overallotment option, at a public offering price of $10.00 per share. We received net proceeds of approximately $26.1 million after deducting underwriting discounts and commissions and offering expenses.

On March 15, 2017, we closed a private placement of 1,324,256 units at a price of $9.47 per unit for net proceeds of approximately $11.3 million after deducting offering expenses. Each unit consisted of one share of our common stock and a warrant to purchase 0.75 shares of common stock. The warrants have an exercise price of $10.40 per share and are exercisable for a period of five years from the date of issuance.

In the first quarter of 2018, we closed an underwritten public offering of 3,592,858 shares of our common stock, including 450,000 shares of our common stock purchased by the underwriters upon the partial exercise of their overallotment option, at the public offering price of $7.00 per share. We received net proceeds of approximately $23.1 million after deducting underwriting discounts and commissions and offering expenses.

We have funded our operations to date primarily through the issuance and sale of common stock and warrants in public offerings and a private placement, the proceeds of our term loan facility with Silicon Valley Bank and, prior to our IPO, the issuance of preferred stock and convertible notes. As of September 30, 2018, we had cash and cash equivalents of $23.8 million.

Workforce Reduction

In September 2018, our board of directors approved a workforce reduction to reduce costs and conserve cash resources in light of the FDA's request for additional data described above and the resulting delay in our Phase 3 trials. The workforce reduction includes 5 employees, which represented approximately 33% of our workforce at such time, and is expected to be completed in the fourth quarter of 2018. We expect to record severance related charges totaling

approximately $1.6 million, which includes cash severance payments of approximately $0.5 million, a non-cash charge of approximately $1.1 million related to the accelerated vesting of outstanding stock options for certain affected employees, and $30,000 for continued health insurance coverage. The amount and timing of the charges that we expect to incur in connection with the workforce reduction are estimates and subject to a number of assumptions, and actual results may differ materially. We may incur additional costs not currently contemplated due to events associated with or resulting from the workforce reduction.

Financial Operations Overview

Revenue

To date, we have not generated any revenue. We do not expect to generate revenue unless or until we obtain regulatory approval of and commercialize gemcabene. If we fail to complete the development of gemcabene, or any other product candidate we may pursue in the future, in a timely manner, or fail to obtain regulatory approval, our ability to generate future revenue would be compromised.

Operating Expenses

Our operating expenses are classified into two categories: general and administrative and research and development.

General and Administrative

General and administrative expenses consist primarily of personnel-related costs, including salaries and share-based compensation costs, for personnel in functions not directly associated with research and administrative activities. Other significant costs include legal fees relating to intellectual property and corporate matters and professional fees for accounting and other services. We anticipate that our on-going general and administrative expenses will fluctuate with clinical trial activity and generally trend near comparable prior period levels in the future to support our research and development activities, potential commercialization of gemcabene, if approved, and any future product candidates we may develop, as well as the costs of operating as a public company, including costs related to personnel and fees for legal and professional services.

Research and Development

To date, our research and development expenses have related primarily to the clinical stage development of gemcabene. Research and development expenses consist of costs incurred in performing research and development activities, including compensation for research and development employees, costs associated with preclinical studies and trials, regulatory activities, manufacturing activities to support clinical activities, license fees, nonlegal patent costs, fees paid to external service providers that conduct certain research and development, clinical costs and an allocation of overhead expenses. Research and development costs are expensed as incurred and costs incurred by third parties are expensed as the contracted work is performed. We accrue for costs incurred as the services are being provided by monitoring the status of the study or project, and the invoices received from our external service providers. We adjust our accrual as actual costs become known. Research and development activities are central to our business model.

We expect that gemcabene will have higher development costs during its later stages of clinical development, as compared to costs incurred during its earlier stages of development, primarily due to the increased size and duration of the later-stage clinical trials, so we expect our research and development expenses to fluctuate relative to the number and size of ongoing clinical trials in any given period. We expect our research and development expense to generally trend below comparable prior period levels in the near term, until we initiate our Phase 3 program and then trend above comparable prior period levels in the future as we continue to conduct preclinical studies and clinical trials for gemcabene and potentially develop other product candidates. However, it is difficult to determine with certainty the duration, costs and timing to complete our current or future preclinical programs and clinical trials of gemcabene. The

duration, costs and timing of clinical trials and development of gemcabene will depend on a variety of factors that include, but are not limited to, the following:

- per patient trial costs;
- the number of patients that participate in the trials;
- the number of sites included in the trials;
- the countries in which the trials are conducted;
- the length of time required to enroll eligible patients;
- the number of doses that patients receive;
- the drop-out or discontinuation rates of patients;
- potential additional safety monitoring or other studies requested by regulatory agencies;
- the duration of patient follow-up;
- the phase of development of the product candidate for the indication;
- arrangements with contract research organizations and other service providers; and
- the efficacy and safety profile of the product candidate for the indication.

Interest Expense, net

Interest expense, net consists of cash and non-cash interest expense attributed to our Term Loan issued in 2017 based on the prime rate in effect, as well as cash interest income from short term, highly liquid money market accounts from proceeds received from the equity offerings and debt as applicable during the periods presented.

We expect to continue to incur cash and non-cash interest expense related on our Term Loan and to earn interest income from the investment of the net proceeds from our financing activities in future periods.

Other Expense

Other expense relates to foreign currency exchange net losses over gains. Foreign currency exchange gains and losses relate to transactions and monetary asset and liability balances denominated in currencies other than the U.S. dollar. Foreign currency gains and losses may continue to fluctuate in the future due to changes in foreign currency exchange rates.

Provision for Income Taxes

Provision for income taxes consists of federal and state income taxes in the United States, as well as deferred income taxes and changes in related valuation allowance reflecting the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Currently, there is no provision for income taxes, as we have incurred operating losses to date, and a full valuation allowance has been provided on the net deferred tax assets as of September 30, 2018 and December 31, 2017.

Results of Operations

The following table summarizes our operating results for the periods indicated:

	For the Three Months Ended September 30,			For the Nine Months Ended September 30,		
	2018	2017	Change	2018	2017	Change
			(in thousands)			
Operating expenses:						
General and administrative	$ 2,364	$ 2,050	$ 314	$ 7,025	$ 8,951	$(1,926)
Research and development	3,542	6,489	(2,947)	12,479	17,606	(5,127)
Total operating expenses	5,906	8,539	(2,633)	19,504	26,557	(7,053)
Loss from operations	(5,906)	(8,539)	2,633	(19,504)	(26,557)	7,053
Interest expense, net	(172)	(132)	(40)	(476)	(107)	(369)
Other expense	(1)	—	(1)	(1)	(5)	4
Loss before income taxes	(6,079)	(8,671)	2,592	(19,981)	(26,669)	6,688
Provision (benefit) for income taxes	—	—	—	—	—	—
Net loss	$(6,079)	$(8,671)	$ 2,592	$(19,981)	$(26,669)	$ 6,688

Comparison of Three Months Ended September 30, 2018 and 2017

General and Administrative

General and administrative expenses for the three months ended September 30, 2018 increased to $2.4 million compared to $2.1 million for the three months ended September 30, 2017. The $0.3 million increase in expenses from the comparable period in 2017 was largely attributed to separation costs in connection with our September 2018 reduction-in-force, which amounted to approximately $0.6 million recorded as general and administrative expense, comprising $0.2 million of cash compensation and $0.4 million of non-cash share-based compensation expense resulting from the acceleration of stock option vesting. Timing of costs related to infrastructure supporting our ongoing clinical trials and public company requirements, focused primarily on personnel costs and professional services, were the other primary drivers of the activity during both quarterly periods in 2018 and 2017.

Research and Development

Research and development expenses for the three months ended September 30, 2018 were $3.5 million compared to $6.5 million for the three months ended September 30, 2017. The $2.9 million decrease was primarily attributable to reduced clinical trial activities in the third quarter of 2018 versus the comparable period in 2017. The overall decrease period over period was partially offset by separation costs during the 2018 period in connection with the reduction-in-force, which amounted to approximately $0.7 million recorded as research and development expense, comprising $0.2 million of cash compensation and $0.5 million of non-cash share-based compensation expense resulting from the acceleration of stock option vesting.

Interest Expense, net

Interest expense, net for the three months ended September 30, 2018 was $0.2 million compared to $0.1 million for the three months ended September 30, 2017. Interest expense, net was comprised primarily of interest expense in connection with our Term Loan offset in part by interest income of $47,000 and $7,000 during the three month periods ended September 30, 2018 and 2017, respectively.

Comparison of Nine Months Ended September 30, 2018 and 2017

General and Administrative

General and administrative expenses for the nine months ended September 30, 2018 decreased to $7.0 million compared to $9.0 million for the nine months ended September 30, 2017. The decrease in expenses from the comparable period in 2017 was largely the result of higher separation costs in the 2017 period. We incurred separation costs during the nine months ended September 30, 2017 for our former chief executive officer totaling $0.5 million of cash compensation and $2.1 million of non-cash share-based compensation expense resulting from the acceleration of stock option vesting. In the 2018 period, our separation costs recorded as general and administrative expenses in connection with a reduction-in-force during the period totaled $0.2 million of cash compensation and $0.4 million of non-cash share-based compensation expense resulting from the acceleration of stock option vesting, partially offsetting the overall expense decrease period over period. Timing of costs related to infrastructure supporting our ongoing clinical trials and public company requirements, focused primarily on personnel costs and professional services, were the other primary drivers of the activity during both nine month periods in 2018 and 2017.

Research and Development

Research and development expenses for the nine months ended September 30, 2018 were $12.5 million compared to $17.6 million for the nine months ended September 30, 2017. The $5.1 million decrease was primarily attributable to reduced clinical trial activities through the third quarter in 2018 versus the comparable period in 2017. The overall decrease period over period was partially offset by separation costs recorded as research and development expenses in connection with the September 2018 reduction-in-force totaling $0.2 million of cash compensation and $0.5 million of non-cash share-based compensation expense resulting from the acceleration of stock option vesting with no comparable separation costs recorded as research and development expenses in the prior year period.

Interest Expense, net

Interest expense, net for the nine months ended September 30, 2018 was $0.5 million, compared to $0.1 million for the comparable period in 2017. Interest expense, net for the nine months ended September 30, 2018 was comprised primarily of interest expense in connection with our Term Loan offset in part by interest income of $0.1 million. Interest expense, net for the nine months ended September 30, 2017 represented interest expense in connection with the Term Loan that was issued in July 2017, offset in part by interest income in the amount of $32,000.

Liquidity and Capital Resources

Capital Resources

As of September 30, 2018, our principal sources of liquidity consisted of cash and cash equivalents of approximately $23.8 million. Our cash and cash equivalents are invested in cash deposits and money market accounts.

We have not generated any revenue, and we anticipate that we will continue to incur losses for the foreseeable future. We have funded our operations to date primarily through the issuance and sale of common stock and warrants in public offerings and a private placement, proceeds from our term loan facility with Silicon Valley Bank and, prior to our IPO, the issuance of preferred stock and convertible notes in private placements. See Note 4 — Debt, included in “Item 8 — Financial Statements and Supplementary Data” included in our Annual Report on Form 10-K filed on March 20, 2018 for a description of the convertible notes we issued prior to our IPO.

- In the first quarter of 2018, we completed the Follow-On Offering of 3,592,858 shares of our common stock, including 450,000 shares of our common stock purchased by the underwriters upon the partial exercise of their

overallotment option, at the public offering price of $7.00 per share. We received net proceeds of approximately $23.1 million after deducting underwriting discounts and commissions and offering expenses.

- On July 24, 2017, we entered into a Loan and Security Agreement with Silicon Valley Bank (SVB), which was amended on July 31, 2018 (collectively, the Loan Agreement). The Loan Agreement established a term loan facility in the aggregate principal amount of up to $15.0 million (the Term Loan) to be funded in several tranches. We drew $10.0 million under the Loan Agreement on July 24, 2017. An additional tranche of $5.0 million (Tranche C) may be available to be drawn by us through November 30, 2018, subject to conditions; however, we do not expect all of such conditions to be met by that date. See "—Liquidity and Capital Resource Requirements" below for a description of the availability of Tranche C, repayment terms and certain other material terms of the Loan Agreement.

- On March 15, 2017, we completed a private placement of 1,324,256 units at a price of $9.47 per unit for net proceeds of approximately $11.3 million after deducting offering expenses. Each unit consisted of one share of our common stock and a warrant to purchase 0.75 shares of common stock. The warrants have an exercise price of $10.40 per share and are exercisable for a period of five years from the date of issuance. On April 20, 2017, the registration statement on Form S-1 (File No 333-217296) for the resale of the shares of common stock issued in the private placement and the shares of common stock to be issued upon exercise of the warrants issued in the private placement was declared effective by the SEC, and on September 1, 2017, we filed a post-effective amendment to convert the registration statement into Form S-3 for the registration of any unsold Private Placement shares, which included an updated prospectus relating to such unsold shares.

- In August 2016, we closed our IPO. We sold an aggregate of 3,027,755 shares of our common stock, including 27,755 shares of our common stock purchased by the underwriters upon the partial exercise of their overallotment option, at a public offering price of $10.00 per share. We received net proceeds of approximately $26.1 million after deducting underwriting discounts and commissions and offering expenses. All of our outstanding preferred stock and convertible notes outstanding prior to our IPO converted into shares of our common stock immediately prior to the closing of the IPO.

We anticipate that our expenses will increase substantially as we:

- continue clinical trials for gemcabene and for any other product candidate in our future pipeline;

- seek regulatory approvals for any product candidates that successfully complete clinical trials;

- contract to manufacture our product candidates;

- establish on our own or with partners, a sales, marketing and distribution infrastructure to commercialize any products for which we may obtain regulatory approval;

- maintain, expand and protect our intellectual property portfolio;

- hire additional staff, including clinical, scientific, operational and financial personnel, to execute our business plan;

- add operational, financial and management information systems and personnel, including personnel to support our product development and potential future commercialization efforts; and

- continue to operate as a public company.

Cash Flows

The following table summarizes our cash flows for the periods indicated:

	For the Nine Months Ended September 30,	
	2018	2017
	(in thousands)	
Net cash used in operating activities	$ (17,798)	$ (20,141)
Net cash provided by (used in) investing activities	—	—
Net cash provided by financing activities	23,131	21,448
Net increase in cash	$ 5,333	$ 1,307

Cash Flow from Operating Activities

For the nine months ended September 30, 2018, cash used in operating activities of $17.8 million was attributable to a net loss of $20.0 million as adjusted by $3.6 million in share-based compensation and non-cash interest expense of $0.2 million offset by a net change of $1.6 million in our operating assets and liabilities. The change in operating assets and liabilities was primarily attributable to a decrease in our accounts payable and increase in our prepaid expenses, offset in part by an increase in accrued liabilities, associated with fluctuations in our operating activities.

For the nine months ended September 30, 2017, cash used in operating activities of $20.1 million was attributable to a net loss of $26.7 million offset by $4.5 million in share-based compensation, non-cash interest expense of $58,000 and a net change of $1.9 million in our net operating assets and liabilities. The change in operating assets and liabilities was primarily attributable to a net increase in our accounts payable and accrued liabilities, offset in part by an increase in prepaid expenses, associated with fluctuations in our operating activities.

Cash Flow from Investing Activities

There were no sources or uses of funds from investing activities for all periods presented.

Cash Flow from Financing Activities

Net cash provided by financing activities during the nine months ended September 30, 2018 of $23.1 million related primarily to proceeds received from our Follow-On Offering, net of discounts, commissions and other costs totaling $2.1 million paid through September 30, 2018.

Net cash provided by financing activities during the nine months ended September 30, 2017 of $21.4 million included $11.3 million related to the proceeds from our Private Placement, net of discounts, commissions and other costs totaling $1.3 million paid through September 30, 2017 as well as $10.0 million in proceeds from the issuance of our Term Loan, net of issue costs paid through September 30, 2017 of $33,000.

Liquidity and Capital Resource Requirements

We believe the approximately $23.8 million of cash on hand, will be sufficient to fund our operations for at least the next 12 months from the date of the filing of this Quarterly Report on Form 10-Q. The development of gemcabene is subject to numerous uncertainties, and we have based these estimates on assumptions that may prove to be substantially different than we currently anticipate and could use our cash resources sooner than we expect. Additionally, the process of advancing early-stage product candidates and testing product candidates in clinical trials is costly, and the timing of progress in these clinical trials is uncertain. Our ability to successfully transition to profitability will be dependent upon achieving a level of product sales adequate to support our cost structure. We cannot assure that we will ever be profitable or generate positive cash flow from operating activities.

We have no current source of revenue to sustain our present activities, and we do not expect to generate revenue until, and unless, the FDA or other regulatory authorities approve gemcabene and we successfully commercialize gemcabene. Until such time, if ever, as we can generate substantial product revenue, we expect to finance our cash needs through a combination of equity and debt financings as well as collaborations, strategic alliances and licensing arrangements. We had $10.1 million outstanding under our Term Loan with SVB on September 30, 2018. See "—Term Loan" below. Under our Loan Agreement with SVB, an additional tranche of $5.0 million (Tranche C) may be available to be drawn by us through November 30, 2018 conditioned on the occurrence of a positive clinical trial event (evidence of which was provided to SVB on November 10, 2017) and a pre-clinical event, as well as a positive Phase 2 NASH event. As discussed above, the FDA has asked that we complete additional pre-clinical studies and submit additional data in connection with the partial clinical hold on gemcabene; accordingly, we do not expect a pre-clinical event to occur prior to November 30, 2018 and therefore do not expect Tranche C to be available to be drawn by us prior to its expiration. We do not have any other committed external source of funds.

We will need to raise additional capital to continue to fund the further development of gemcabene and other potential product candidates, our operations, and commercialization of gemcabene and other potential product candidates, if approved. To the extent that we raise additional capital through the sale of equity or convertible debt securities, the ownership interest of our stockholders will be diluted, and the terms of these securities may include liquidation or other preferences that adversely affect your rights as a common stockholder. Similar to the restrictions under our Loan Agreement described below, additional debt financing, if available, may involve agreements that include covenants limiting or restricting our ability to take specific actions, such as incurring additional debt, making capital expenditures or declaring dividends. If we raise additional funds through collaborations, strategic alliances or licensing arrangements with pharmaceutical partners, we may have to relinquish valuable rights to our technologies, future revenue streams or grant licenses on terms that may not be favorable to us. If we are unable to raise additional funds through equity or debt financings or through collaborations, strategic alliances or licensing arrangements when needed, we may be required to delay, limit, reduce or terminate our product development, future commercialization efforts, or grant rights to develop and market gemcabene that we would otherwise prefer to develop and market ourselves.

Term Loan

Pursuant to our Loan Agreement described above, as amended on July 31, 2018, all amounts advanced under the Term Loan mature on February 1, 2021 and had an interest-only monthly payment period through November 1, 2018, which could have been extended to February 1, 2019 upon the occurrence of both a positive clinical trial event and a pre-clinical event. A pre-clinical event did not occur prior to November 1, 2018 and, accordingly, we began making monthly payments of principal and interest on such date, which will continue until the maturity date. Interest will accrue on the unpaid principal balance at a floating per annum rate equal to the prime rate, except that, following an event of default, interest will accrue at a rate up to 5% above the rate that is otherwise applicable. Our obligations under the Loan Agreement may be accelerated by SVB upon the occurrence of an event of default. An event of default includes customary events for a financing arrangement of this type, including, without limitation, payment defaults, defaults in the performance of affirmative or negative covenants, bankruptcy or related defaults, defaults on certain other indebtedness, defaults under certain other agreements, the imposition of judgments or penalties, the material inaccuracy of representations or warranties, material adverse changes and revocations of government approvals.

The Loan Agreement requires us to pay the following fees: (i) upon the maturity, acceleration or prepayment of the Term Loan, a final payment fee of 10% of the funded principal amount of the Term Loan, (ii) a success fee of 3.5% of the funded principal amount of the Term Loan upon the occurrence of certain contingent events as defined in the Loan Agreement, and (iii) upon termination of the Loan Agreement prior to the maturity date for any reason, a prepayment fee equal to 2% (if such prepayment occurs prior to July 31, 2019) or 1% (if such prepayment occurs thereafter) of the funded principal amount of the Term Loan.

In the event a positive clinical trial event had not occurred by March 31, 2018, on such date, we would have been required

to either (i) provide cash security and maintain a cash balance in a restricted account at SVB in an amount of at least 50% of the amounts we owe to SVB or (ii) prepay the Term Loan in its entirety. On November 10, 2017, we provided SVB evidence of a positive clinical trial event. In the event a pre-clinical event does not occur on or prior to September 30, 2019 or, if at any time prior to a pre-clinical event, our unrestricted cash balance at SVB is less than $18 million, on such date, we must either (i) provide cash security and maintain a cash balance in a restricted account at SVB in an amount of at least 100% of the amounts we owe to SVB or (ii) prepay the Term Loan in its entirety. In each case, if we choose to prepay the Term Loan, in addition to the repayment of the outstanding principal and accrued and unpaid interest, we are required to pay the final payment fee and, if applicable, the success fee, but not the prepayment fee. In the event that cash security is provided, it would be presented as restricted cash on our balance sheet.

Subject to certain exceptions, the Loan Agreement contains covenants prohibiting us from, among other things: (a) disposing of our properties or assets; (b) liquidating or dissolving; (c) engaging in any business other than the business currently engaged in by us or reasonably related thereto; (d) engaging in business combinations or acquisitions or permitting or suffering any change in control; (e) incurring any additional indebtedness; (f) allowing any lien or encumbrance on any of our property; (g) paying any dividends or distributions; (h) entering into transactions with affiliates; and (i) making payment on subordinated debt.

In addition, we issued a warrant to purchase 36,000 shares of our common stock at an exercise price of $7.47 per share to SVB on July 31, 2018 in connection with the first amendment under the Loan Agreement. The warrant is immediately exercisable and has a term of ten years. The exercise price and number and type of shares underlying the warrant are subject to adjustment upon specified events, including any stock dividends and splits, reverse stock split, recapitalization, reorganization or similar transaction, as described therein. The warrant contains a “cashless exercise” feature that allows SVB to exercise the warrant without a cash payment to the Company, on a net issuance basis, based upon the fair market value of the Company’s common stock at the time of exercise, upon the terms set forth therein.

Pfizer Agreement

We entered into an exclusive license agreement for the clinical product candidate gemcabene with Pfizer Inc. (Pfizer) in April 2011, which was subsequently amended and restated in August 2018 (as so amended, the Pfizer Agreement). The Pfizer Agreement grants us certain patent rights and a non-exclusive royalty bearing right and license to certain related data to make, use, develop, commercialize, import and otherwise exploit the clinical product candidate gemcabene. Pfizer retains the right to make, use and import gemcabene solely for internal research purposes.

In partial exchange for the rights granted by Pfizer, we agreed to issue shares of our common stock to Pfizer representing 15% of our fully diluted capital at the close of its first arms-length Series A financing, which occurred on March 31, 2015.

We also agreed to make milestone payments totaling up to $37 million upon the achievement of certain milestones, including the first new drug application (or its foreign equivalent) in any country, regulatory approval in each of the United States, Europe and Japan, the first anniversary of the first regulatory approval in any country, and upon achieving certain aggregate sales levels of gemcabene. Future milestone payments under the Pfizer Agreement, if any, are not expected to begin for at least several years and extend over a number of subsequent years.

In addition, we agreed to pay Pfizer tiered royalties on a country-by-country basis based upon the annual amount of net sales, as specified in the Pfizer Agreement, until the later of: (a) five (5) years after the first commercial sale in such country; (b) the expiration of all regulatory or data exclusivity for gemcabene in such country; and (c) the expiration or abandonment of the last valid claim of the licensed patents, including any patent term extensions or supplemental protection certificates in such country (collectively, the Royalty Term). Under the Pfizer Agreement, we are obligated to use commercially reasonable efforts to develop and commercialize gemcabene.

The Pfizer Agreement will expire upon expiration of the last Royalty Term. On expiration (but not earlier termination),

we will have a perpetual, exclusive, fully paid-up, royalty-free license under the licensed patent rights and related data to make, use, develop, commercialize, import and otherwise exploit the clinical product candidate gemcabene. Either party may terminate the Pfizer Agreement for the other party's material breach following a cure period or immediately upon certain insolvency events relating to the other party. Pfizer may immediately terminate the Pfizer Agreement in the event that (i) we or any of our affiliates or sublicenses contest or challenge, or support or assist any third party to contest or challenge, Pfizer's ownership of or rights in, or the validity, enforceability or scope of any of the patents licensed under the Pfizer Agreement or (ii) we or any of our affiliates or sublicensees fail to achieve the first commercial sale in at least one country by April 16, 2024. Furthermore, upon termination of the Pfizer Agreement by Pfizer for any of the foregoing reasons, we grant Pfizer a non-exclusive, fully paid-up, royalty free, worldwide, transferrable, perpetual and irrevocable license to use any intellectual property rights arising from the development or commercialization of gemcabene by us and any trademarks identifying gemcabene and agree to transfer regulatory filings and approvals to Pfizer or permit Pfizer to cross-reference and rely on such regulatory filings and approvals for gemcabene. We may terminate the License Agreement for convenience upon 90 days' written notice and payment of an early termination fee.

Critical Accounting Policies and Estimates

Our financial statements are prepared in accordance with GAAP. These accounting principles require us to make estimates and judgments that can affect the reported amounts of assets and liabilities as of the date of the financial statements as well as the reported amounts of revenue and expense during the periods presented. We believe that the estimates and judgments upon which we rely are reasonably based upon information available to us at the time that we make these estimates and judgments. To the extent that there are material differences between these estimates and actual results, our financial results will be affected. The accounting policies that reflect our more significant estimates and judgments and which we believe are the most critical to aid in fully understanding and evaluating our reported financial results are described in Note 2 — "Summary of Significant Accounting Policies" to our condensed financial statements included in Part I "Financial Information", Item I "Financial Statements" of this Quarterly Report on Form 10-Q.

During the three and nine months ended September 30, 2018, there were no material changes to our critical accounting policies or estimates disclosed in "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in our Annual Report on Form 10-K filed on March 20, 2018.

Off-Balance Sheet Arrangements

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

Recent Accounting Pronouncements

Refer to Note 2— "Summary of Significant Accounting Policies" to our condensed financial statements included in Part I "Financial Information", Item I "Financial Statements" of this Quarterly Report on Form 10-Q for a discussion of recently issued accounting pronouncements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information we are required to disclose in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC's

rules and forms, and that such information is accumulated and communicated to our management, including our principal executive and financial officer, as appropriate, to allow timely decisions regarding required disclosure.

We designed and evaluate our disclosure controls and procedures recognizing that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance and not absolute assurance of achieving the desired control objectives. Also, the design of a control system must reflect the fact that there are resource constraints and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake. The design of any system of controls 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.

Under the supervision of and with the participation of our management, including our principal executive and financial officer, we evaluated the effectiveness of our disclosure controls and procedures, as such term is defined in Rules 13a-15(e) and 15(d)- 15(e) promulgated under the Exchange Act as of September 30, 2018. Based on this evaluation, our Chief Executive Officer and principal financial officer concluded that our disclosure controls and procedures were effective as of September 30, 2018.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) during the quarter ended September 30, 2018, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II — OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The Company may be subject to claims and lawsuits that arise primarily in the ordinary course of business. The Company believes that the disposition or ultimate resolution of any such claims and lawsuits will not have a material adverse effect on the financial position, results of operations or cash flows of the Company.

ITEM 1A. RISK FACTORS

In addition to the other information set forth elsewhere in this Quarterly Report on Form 10-Q, you should carefully consider the factor set forth below and the other factors discussed in Part I, Item 1A "Risk Factors" of the Company's Annual Report on Form 10-K for the year ended December 31, 2017 and in Item 1A "Risk Factors" of our Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2018. Those factors, if they were to occur, could cause our actual results to differ materially from those expressed in our forward-looking statements in this report, and materially adversely affect our financial condition or future results. Although we are not aware of any other factors that we currently anticipate will cause our forward-looking statements to differ materially from our future actual results, or materially affect the Company's financial condition or future results, additional risks and uncertainties not currently known to us or that we currently deem to be immaterial might materially adversely affect our actual business, financial condition and/or operating results.

We are implementing a reduction in force that may have an adverse impact on our drug development activities, and attrition that may occur following this reduction could disrupt our operations. In addition, we may not achieve

anticipated benefits and savings from the reduction or be able to implement or benefit from any additional cost containment measures in the future.

In September 2018, our board of directors approved a workforce reduction to reduce costs and conserve cash resources in light of the delay in our Phase 3 trials resulting from the FDA's request for additional data following the completion of two year carcinogenicity studies conducted in connection with the partial clinical hold on gemcabene. The workforce reduction includes 5 employees, which represented approximately 33% of our workforce at such time, and is expected to be completed in the fourth quarter of 2018.

Our expectations regarding the amount and timing of severance payments and charges and the financial impact of the workforce reduction are only estimates. Our workforce reduction costs may be greater than anticipated.

The reduction in force, which included two of our executive officers, and any attrition that may occur following this reduction, will result in the loss of institutional knowledge and expertise and in the reallocation and combination of certain roles and responsibilities across the organization, all of which could adversely affect our operations and our drug development activities. Our efforts to improve our managerial, operational and financial systems and manage our operations may be made more challenging given the reduction in force. As a result, our management may need to divert a disproportionate amount of its attention away from our day-to-day strategic and operational activities, and devote a substantial amount of time to managing these organizational changes.

Further, the reduction in force may yield unintended consequences, such as reduced employee morale and attrition beyond our intended reduction in force, which may result in us seeking contract support at unplanned additional expense. We may not achieve anticipated benefits from the reduction in force. Due to our limited resources, we may not be able to effectively manage our operations or recruit and retain qualified personnel when and if needed, which may have an adverse impact on our drug development activities, result in weaknesses in our infrastructure and operations, risks that we may not be able to comply with legal and regulatory requirements, loss of business opportunities, loss of employees and reduced productivity among remaining employees. If our management is unable to effectively manage this transition and reduction in force or successfully implement any additional cost containment measures, our expenses may be more than expected, we may utilize cash more quickly than expected and we may not be able to implement our business strategy or continue the development of gemcabene.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Not applicable.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

Not applicable.

Gemphire Therapeutics Inc.
Form 10-Q

ITEM 6. EXHIBITS

EXHIBIT NUMBER	DESCRIPTION OF DOCUMENT
3.1	Third Amended and Restated Certificate of Incorporation of Gemphire Therapeutics Inc. (incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K, File No. 001-37809, filed on August 10, 2016).
3.2	Amended and Restated Bylaws of Gemphire Therapeutics Inc. (incorporated by reference to Exhibit 3.2 to the Registrant's Current Report on Form 8-K, File No. 001-37809, filed on August 10, 2016).
4.1	Warrant to Purchase Stock, dated July 31, 2018, by and between Gemphire Therapeutics Inc. and Silicon Valley Bank (incorporated by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8- K, File No. 001-37809, filed on August 6, 2018).
10.1+	Amended and Restated License Agreement, dated August 2, 2018, by and between Gemphire Therapeutics Inc. and Pfizer Inc. (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K, File No. 001-37809, filed on August 6, 2018).
10.2	First Amendment to Loan and Security Agreement dated July 31, 2018 by and between Gemphire Therapeutics Inc. and Silicon Valley Bank (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8- K, File No. 001-37809, filed on August 6, 2018).
10.3*	Separation and Release Agreement with Jeffrey S. Mathiesen dated as of September 21, 2018.
10.4*	Separation and Release Agreement with Dr. Lee Golden dated as of September 21, 2018.
31.1	Certification of Principal Executive Officer and Principal Financial Officer Pursuant to Exchange Act Rule 13a-14(a) or 15d-14(a), as Adopted Pursuant to Section 302 of The Sarbanes Oxley Act of 2002.
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.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
*	Indicates management contract or compensatory plan
+	Portions of this exhibit have been omitted pursuant to a request for confidential treatment and have been separately filed with the Securities and Exchange Commission

Gemphire Therapeutics Inc.
Form 10-Q

SIGNATURES

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

Registrant: Gemphire Therapeutics Inc.

SIGNATURE	TITLE	DATE
/s/ STEVEN GULLANS Steven Gullans	President and Chief Executive Officer (Principal Executive Officer and Principal Financial Officer)	November 8, 2018

SEPARATION AND RELEASE AGREEMENT

THIS SEPARATION AND RELEASE AGREEMENT (this ***"Agreement"***) is made as of September 21, 2018 by and between **GEMPHIRE THERAPEUTICS INC.**, a Delaware corporation, whose address is 17199 N. Laurel Park Drive, Suite 401, Livonia, Michigan 48152 (the ***"Company"***) and **JEFFREY S. MATHIESEN** whose address is as reflected in the personnel records of the Company (***"Employee"***). Capitalized terms used but not defined in this Agreement will have the meanings ascribed to them in the Employment Agreement between Employee and the Company dated April 14, 2016 (the ***"Employment Agreement"***).

RECITALS

WHEREAS, Employee has been employed as the Chief Financial Officer of the Company since September 19, 2015; and

WHEREAS, the Company and Employee (collectively, the ***"Parties"*** and each, without distinction, a ***"Party"***) have mutually agreed to terminate the existing employment relationship on the terms and conditions set forth in this Agreement.

AGREEMENT

NOW, **THEREFORE**, in consideration of the foregoing premises and for other good and valuable consideration, the receipt and sufficiency of which are hereby expressly acknowledged, the Parties, intending to be legally bound, hereby agree as follows:

ARTICLE 1
EMPLOYMENT TERMINATION, PAYMENTS AND RESIGNATION

1.1 TERMINATION OF EMPLOYMENT. Employee's employment with the Company shall terminate as of September 21, 2018 (the ***"Termination Date"***). Effective as of the Termination Date, Employee resigns from every office of the Company held by Employee. The Company shall pay Employee's compensation for hours worked through the Termination Date, subject to withholding and payable in accordance with the Company's payroll practices. In addition, the Company will reimburse Employee for Employee's outstanding documented business expenses remaining on the Company's books, which were properly reviewed and approved according to the Company's policies in effect on the Termination Date. Employee will receive the foregoing payments regardless of whether Employee executes this Agreement.

1.2 SEPARATION CONSIDERATION. As consideration for Employee's agreements and releases set forth herein, following the later to occur of the (i) execution of this Agreement and expiration of the Revocation Period (as defined below) and (ii) the Termination Date, and recognizing that without execution of this Agreement, Employee would not be entitled to any additional compensation beyond wages due, the Company agrees to provide Employee with the following benefits after the Termination Date, provided this Agreement becomes effective in accordance with Section 2.2 of this Agreement:

(a) the Company will pay Employee the aggregate sum of $167,500.00, which shall be paid in accordance with the Company's normal payroll practices in one lump sum on the 60th day following the Termination Date, subject to payroll deductions and all required withholdings;

(b) the Company agrees to engage Employee to provide consulting services, and Employee agrees to provide consulting services, pursuant to the terms and conditions of the consulting agreement attached hereto as EXHIBIT A (the ***"Consulting Agreement"***);

(c) the Company agrees to use commercially reasonable efforts to cause Employee to continue to be included as a beneficiary under the Company's directors' and officers' insurance policy in connection with Employee's service as an officer of the Company prior to the Termination Date;

(d) beginning on the first day of the month following the Termination Date and continuing through the earlier of the twelve (12) month anniversary of the first day of the month following the Termination Date or the date that Employee becomes eligible to receive health insurance coverage from another employer group health plan due to Employee's employment with another employer, the Company shall pay to Employee a monthly amount equal to the monthly premium cost paid by the Company, as of the Termination Date, for Employee's medical and dental coverage under the Company's group health insurance plan, in effect as of the Termination Date, subject to all required withholding. Employee agrees to notify the Company within thirty (30) days after substantially similar health and welfare benefits become available to Employee from a subsequent employer; and

(e) As of the day following the expiration of the revocation period referenced in Section 2.2, Employee will be deemed to have vested in all stock options under the Original Stock Option Award Documents that would otherwise have vested had Employee remained employed through August 4, 2019. Employee will not further vest in any other stock options under the Original Stock Option Award Documents. The vested options shall be immediately exercisable in accordance with the applicable Original Stock Option Award Documents, subject to the same conditions as if the Employee had remained employed until August 4, 2019. All such vested stock options shall remain exercisable until the stock option termination date. All of the Employee's stock options that were vested and exercisable as of the Termination Date shall remain exercisable until the expiration date of such stock options. Except as otherwise expressly provided herein, all stock options shall continue to be subject to the Original Stock Option Award Documents.

1.3 CONFLICT WITH OTHER AGREEMENTS. In the event of any conflict of the provisions between this Agreement and the Employment Agreement, the provisions set forth in this Agreement shall control. In the event of any conflict between this Agreement and the provisions of that certain Employee Proprietary Information and Inventions Assignment and Non-Competition Agreement dated as of September 18, 2015 between the Company and Employee (the ***"Invention Assignment Agreement"***), the terms and conditions of the Invention Assignment Agreement shall control over the terms of this Agreement.

1.4 ACKNOWLEDGEMENT. Except as provided in this Article 1, the Parties acknowledge and agree that Employee is not, and shall not after the Termination Date, be eligible for any additional payment by the Company of any bonus, salary, vacation pay, retirement pension, severance pay, back pay, or other remuneration or compensation of any kind in respect of employment by the Company. Employee hereby confirms to the Company that the Invention Assignment Agreement contains a complete list of all inventions or improvements, if any, to which Employee claims ownership and desires to remove from the operation of the Invention Assignment Agreement. Employee further agrees that the Invention Assignment Agreement remains in full force and effect, and Employee hereby reaffirms Employee's obligations arising under the terms of the Invention Assignment Agreement. Employee agrees to return to the Company all Company documents and materials, apparatus, equipment and other physical property in Employee's possession within two (2) days of the Termination Date and in the manner directed by the Company's Chief Executive Officer (the ***"CEO"***).

1.5 COOPERATION AND ASSISTANCE. Following the Termination Date, Employee agrees to furnish such information and assistance to the Company as may be reasonably required by the Company in connection with any issues or matters of which Employee had knowledge during Employee's employment with the Company. In addition, Employee shall make Employee reasonably available to assist the Company in matters relating to the transition of Employee's prior duties to other employees of the Company, as may be reasonably requested by the Company. The Company shall provide reasonable notice to Employee of its need for any cooperation and/or assistance from Employee, and shall reimburse Employee for the reasonable documented out-of-pocket expenses incurred by Employee in providing such cooperation and assistance; provided that any such expense exceeding Five Hundred Dollars ($500) shall require the advance consent of the CEO. Such reasonable expenses may, at Employee's option, include reasonable legal fees incurred by Employee in connection with any cooperation and/or

assistance provided by Employee to the Company in the context of any litigation, threatened litigation, or other legal matter. Any services rendered by Employee pursuant to this Section 1.5 shall be governed by the applicable terms and conditions of the Invention Assignment Agreement. Employee shall promptly deliver to Dr. Steven Gullans via email to sgullans@gemphire.com all correspondence and any inquires that Employee receives (including the contents of any telephone calls or emails received by Employee) from any third party concerning any issue of material significance to the Company.

1.6 INDEMNIFICATION. The Parties hereby reaffirm their respective obligations under the Company's standard form of indemnification agreement (a copy of which is attached as Exhibit 10.1 to the Company's Registration Statement on Form S-1 (Registration No. 333-210815) filed with the SEC on April 18, 2016) previously entered into by the Company and Employee (the ***"Indemnification Agreement"***), as well as (a) the indemnification provisions of the Company's Third Amended and Restated Certificate of Incorporation and Amended and Restated Bylaws as in effect on the Termination Date and (b) any right to indemnification afforded under applicable state and federal law (collectively, the ***"Indemnification Obligations"***).

1.7 STATEMENT REGARDING RESIGNATION; SEC MATTERS. Employee acknowledges that Company is obligated to report Employee's termination of employment with the Company on a Form 8-K (the ***"8-K"***) filed with the United States Securities and Exchange Commission (the ***"SEC"***), within four (4) business days after the Termination Date. Employee agrees that the 8-K may contain a statement summarizing the terms and conditions of this Agreement and the fact that Employee's employment with the Company was terminated as of the Termination Date. Employee will cooperate with the Company in providing information with respect to all reports required to be filed by the Company with the SEC as they relate to required information with respect to Employee. Further, Employee will remain in compliance with the terms of the Company's insider trading policy with respect to purchases and sales of the Company's securities. The Company agrees to file Forms 4, if any, on behalf of Employee through the six (6)-month period following the Termination Date. Employee acknowledges and agrees that the Company may be required to file a copy of this Agreement with the SEC.

1.8 SECTION 409A OF THE CODE. The Parties intend that all payments and benefits to be made or provided pursuant to this Agreement be exempt from or in compliance with section 409A of the Internal Revenue Code of 1986, as amended, and the regulations and other guidance thereunder (***"Code Section 409A"***). The amount of expenses eligible for reimbursement under this Agreement during any calendar year shall not affect the expenses eligible for reimbursement in any other calendar year, the reimbursement of an eligible expense under this Agreement shall be made no later than the last day of the calendar year next following the calendar year in which the expense was incurred, and the right to reimbursement of eligible expenses is not subject to liquidation or exchange for another benefit. Notwithstanding the foregoing or any other provision of this Agreement, no particular tax result for Employee in respect of any payment or benefit under this Agreement is guaranteed, and Employee alone will be responsible for any taxes, interest or penalties imposed upon Employee under Code Section 409A in connection with this Agreement.

ARTICLE 2
RELEASES AND NON-DISPARAGEMENT

2.1 EMPLOYEE RELEASE OF CLAIMS. In consideration for the separation consideration set forth in this Agreement, Employee, on behalf of Employee, Employee's heirs, executors, legal representatives, spouse and assigns (the ***"Employee Releasing Parties"***), hereby fully and forever releases the Company and its respective past and present officers, directors, employees, investors, stockholders, administrators, subsidiaries, affiliates, predecessor and successor corporations, assigns, attorneys and insurers (the ***"Company's Released Parties"***) of and from any claim, duty, obligation or cause of action relating to any matters of any kind, whether presently known or unknown, suspected or unsuspected, that any of them may possess arising from any omissions, acts or facts that have occurred through the date that Employee signs this Agreement, including, without limitation, any and all claims:

(a) which arise out of, result from, or occurred in connection with Employee's employment by the Company or any of its affiliated entities, the termination of that employment relationship, any events occurring in the course of that employment, or any events occurring prior to the execution of this Agreement;

(b) for wrongful discharge, discrimination, harassment and/or retaliation; breach of contract, both express and implied; breach of a covenant of good faith and fair dealing, both express and implied; negligent or intentional infliction of emotional distress; negligent or intentional misrepresentation; negligent or intentional interference with contract or prospective economic advantage; slander, libel or invasion of privacy; violation of public policy; fraud, misrepresentation or conspiracy; and false imprisonment (duplicative);

(c) (i) wrongful discharge of employment; any and all claims for wrongful discharge of employment, and/or (ii) violation of any federal, state or municipal statute relating to employment or employment discrimination, including, without limitation, (A) Title VII of the Civil Rights Act of 1964, as amended, (B) the Civil Rights Act of 1866, as amended, (C) the Civil Rights Act of 1991, as amended, (D) the Employee Retirement and Income Security Act of 1974, as amended, (E) the Age Discrimination in Employment Act of 1967, as amended (the ***"ADEA"***), including, without limitation, by the Older Workers' Benefit Protection Act, as amended (***"OWBPA"***), (F) the OWBPA, (G) the Americans with Disabilities Act of 1990, as amended, (H) any applicable state Persons with Disabilities Civil Rights Act, as amended, and (I) any applicable state Whistleblowers Protection Act, as amended;

(d) under Michigan common law or state statute including, but not limited to, those alleging wrongful discharge, express of implied breach of contract, negligence, invasion of privacy, intentional infliction of emotional distress, fraud, defamation, or violations of the Michigan Elliott-Larsen Civil Rights Act (ELCRA), Michigan Persons with Disabilities Civil Rights Act, Payment of Wages and Fringe Benefits Act, Michigan Whistleblowers' Protection Act, Bullard-Plawecki Employee Right to Know Act, the Michigan Occupational Safety and Health Act, the Michigan Social Security Number Privacy Act, and the Michigan Internet Privacy Protection Act, all as amended together with all of their respective implementing regulations and/or any other federal, state, local or foreign law (statutory, regulatory or otherwise) that may be legally waived and released;

(e) for back pay or other unpaid compensation;

(f) relating to equity of the Company; and/or

(g) for attorneys' fees and costs.

To the fullest extent permitted by law, Employee will not take any action that is contrary to the promises Employee has made in this Agreement. Employee represents that Employee has not filed any lawsuit, arbitration, or other claim against any of the Company's Released Parties. Employee states that Employee knows of no violation of state, federal, or municipal law or regulation by any of the Company's Released Parties, and except as otherwise disclosed by Employee to the CEO, Employee knows of no ongoing or pending investigation, charge, or complaint by any agency charged with enforcement of state, federal, or municipal law or regulation. While nothing in this Agreement prevents state or federal agencies from enforcing laws within their jurisdictions, Employee agrees Employee shall not receive any individual monetary damages, recovery and/or relief of any type related to any released claim(s), whether pursued by Employee or any governmental agency, other person or group; provided that nothing in the Agreement prevents Employee from participating in the whistleblower program maintained by the SEC and receiving a whistleblower award thereunder. Employee hereby agrees that the release set forth in this Agreement shall be and remain in effect in all respects as a complete general release as to the matters released. Nothing in the foregoing shall prevent Employee from commencing an action or proceeding to enforce Employee's rights arising under this Agreement or a claim for indemnification to which Employee is entitled as a current or former officer of the Company, or inclusion as a beneficiary of any insurance policy related to Employee's service in such capacity.

2.2 ACKNOWLEDGMENT OF WAIVER OF CLAIMS UNDER ADEA. Employee acknowledges that Employee is waiving and releasing any rights Employee may have under the OWBPA and the ADEA, and that this waiver and release is knowing and voluntary. Employee acknowledges that the consideration given for this waiver

and release is in addition to anything of value to which Employee was already entitled. Employee further acknowledges that Employee has been advised by this writing that (a) Employee should consult with an attorney prior to executing this Agreement; (b) Employee has twenty-one (21) calendar days within which to consider this Agreement and that, if Employee executed this Agreement before expiration of that twenty-one (21) calendar day period, Employee did so knowingly and voluntarily and with the intent of waiving Employee's right to utilize the full twenty-one (21) calendar day consideration period; (c) Employee has seven (7) days following Employee's execution of this Agreement to revoke the Agreement (the ***"Revocation Period"***). Communication of any such revocation by Employee to the Company shall be provided in writing and mailed by certified or registered mail with return receipt requested and shall be addressed to the Company at its principal corporate offices to the attention of the Company's CEO, Steve Gullans. This Agreement shall not be effective until the Revocation Period has expired without any revocation having been communicated.

2.3 NO ADMISSION OF LIABILITY. Neither this Agreement nor any statement contained herein shall be deemed to constitute an admission of liability on the part of the parties herein released. This Agreement's execution and implementation may not be used as evidence, and shall not be admissible in a subsequent proceeding of any kind, except one alleging a breach of this Agreement, the Invention Assignment Agreement or the Employment Agreement.

2.4 NON-DISPARAGEMENT.

(a) For a period of three (3) years after the date of this Agreement, each Party covenants and agrees that such Party shall not make or cause to be made any statements, observations, opinions or communicate any information (whether in written or oral form) that defames, slanders or is likely in any way to harm the reputation of the other Party or any of its subsidiaries, affiliates, directors, or officers or tortiously interfere with any of the other Party's respective business relationships. Each Party acknowledges and agrees that any violation of the covenant contained in this Section 2.4 will result in irreparable damage to the other Party and that the other Party shall be entitled to injunctive and other equitable relief.

(b) In the event that either Party is ordered by a court of competent jurisdiction or is compelled by subpoena to disclose any information on the other Party, such Party may disclose that information without liability under Section 2.4(a); provided, however, that the disclosing Party gives the other Party written notice of the information to be disclosed as far in advance of its disclosure as is practicable.

(c) Each Party understands and agrees that the other Party could not be reasonably or adequately compensated in damages in an action at law for breach of the Party's obligations under this Section 2.4. Accordingly, each Party specifically agrees that the other Party shall be entitled to temporary and permanent injunctive relief, specific performance, and other equitable relief to enforce the provisions of this Section 2.4. This provision with respect to injunctive relief shall not, however, diminish the right of the Party to claim and recover damages or other remedies in addition to equitable relief. The Company agrees to use commercially reasonable efforts to cause the Company's directors and other executive officers to comply with the terms and conditions of this Section 2.4.

2.5 COMPANY RELEASE OF CLAIMS. In consideration for the obligations of Employee set forth in this Agreement and Employee's release of claims, the Company, on behalf of itself and the Company's Released Parties, hereby fully and forever releases Employee and the Employee Releasing Parties of and from any claim, duty, obligation or cause of action relating to Employee's employment with the Company, whether presently known or unknown, suspected or unsuspected, that any of them may possess arising from any omissions, acts or facts that have occurred up until and including the Termination Date. The Company agrees that the release set forth in this Section 2.5 shall be and remain in effect in all respects as a complete general release as to the matters released. This release does not extend to any obligations incurred or specified under this Agreement or any continuing obligations arising under the Employment Agreement, the Invention Assignment Agreement or the Consulting Agreement. The Company hereby irrevocably covenants to refrain from directly or indirectly, asserting any claim or demand, or

commencing, instituting or causing to be commenced, any proceeding of any kind against Employee, based upon any matter purported to be released hereby.

ARTICLE 3
REPRESENTATIONS AND WARRANTIES

3.1 REPRESENTATIONS AND WARRANTIES OF EMPLOYEE. Employee warrants and represents to the Company that Employee:

(a) has been advised to consult with legal counsel in entering into this Agreement;

(b) has entirely read this Agreement;

(c) has voluntarily executed this Agreement without any duress or undue influence and with the full intent of releasing all claims;

(d) has received no promise, inducement or agreement not herein expressed with respect to this Agreement or the terms of this Agreement;

(e) is the only person (other than Employee's heirs) who is or may be entitled to receive or share in any damages or compensation on account of or arising out of Employee's relationship with, or providing services to, the Company or any of its affiliated entities, the termination of that relationship or services, any actions taken in the course of that relationship or services, and any events related to that relationship or services or occurring prior to the execution of this Agreement;

(f) understands and agrees that in the event any injury, loss, or damage has been sustained by Employee which is not now known or suspected, or in the event that the losses or damage now known or suspected have present consequences not known or suspected, this Agreement shall nevertheless constitute a full and final release as to the parties herein released, and that this Agreement shall apply to all such unknown or unsuspected injuries, losses, damages or consequences; and

(g) expressly acknowledges that Employee's entry into this Agreement is in exchange for consideration in addition to anything of value to which Employee is already entitled.

3.2 AUTHORITY. Employee represents and warrants that Employee has the capacity to act on Employee's own behalf and on behalf of all who might claim through Employee to bind them to the terms and conditions of this Agreement. Each Party warrants and represents that Employee has not assigned any claim released under this Agreement, and there are no liens or claims of lien or assignments in law or equity or otherwise of or against any of the claims or causes of action released herein.

3.3 NO OTHER REPRESENTATIONS. Neither Party has relied upon any representations or statements made by the other Party hereto which are not specifically set forth in this Agreement.

ARTICLE 4
MISCELLANEOUS

4.1 SEVERABILITY. Should any provision of this Agreement be declared or be determined by any arbitrator or court of competent jurisdiction to be illegal or invalid, the validity of the remaining parts, terms or provisions shall not be affected thereby and said illegal or invalid part, term, or provision shall be deemed not to be a part of this Agreement.

4.2 ENTIRE AGREEMENT. This Agreement represents the entire agreement and understanding between the Company and Employee concerning Employee's separation from the Company, and supersedes and replaces any

and all prior agreements and understandings concerning Employee's relationship with the Company and Employee's compensation by the Company, including without limitation the Employment Agreement, provided, however, that this Agreement does not supersede or modify the Invention Assignment Agreement, the Indemnification Agreement, any continuing obligations of Employee under the Employment Agreement that do not conflict with the terms and conditions of this Agreement, and all of the agreements entered into by Employee with respect to the Original Stock Option Award Documents, all of which shall continue in full force and effect except as modified here. This Agreement may only be amended by a writing signed by Employee and the Company.

4.3 ASSIGNMENT. This Agreement may not be assigned by Employee without the prior written consent of the Company. The Company may assign this Agreement without Employee's consent in connection with a merger or sale of its assets and/or to a corporation controlling, controlled by or under common control with the Company. This Agreement shall inure to the benefit of, and be binding upon, each Party's respective heirs, legal representatives, successors and assigns.

4.4 GOVERNING LAW; CONSENT TO JURISDICTION, WAIVER OF JURY TRIAL. This Agreement shall be governed by and construed in accordance with the internal laws of the State of Michigan, without regard to its principles of conflicts of laws. Each of the Parties hereto irrevocably submits to the exclusive jurisdiction of the state and federal courts of the State of Michigan for the purpose of any suit, action, proceeding or judgment relating to or arising out of this Agreement and the transactions contemplated hereby. Service of process in connection with any such suit, action or proceeding may be served on each Party hereto anywhere in the world by the same methods as are specified for the giving of notices under this Agreement. Each of the Parties hereto irrevocably consents to the jurisdiction of any such court in any such suit, action or proceeding and to the laying of venue in such court. Each Party hereto irrevocably waives any objection to the laying of venue of any such suit, action or proceeding brought in such courts and irrevocably waives any claim that any such suit, action or proceeding brought in any such court has been brought in an inconvenient forum. EACH OF THE PARTIES HERETO WAIVES ANY RIGHT TO REQUEST A TRIAL BY JURY IN ANY LITIGATION WITH RESPECT TO THIS AGREEMENT AND REPRESENTS THAT COUNSEL HAS BEEN CONSULTED SPECIFICALLY AS TO THIS WAIVER. In addition, should it become necessary for the Company to seek to enforce any of the covenants contained in this Agreement through any legal, administrative or alternative dispute resolution proceeding, Employee shall reimburse the Company for its reasonable fees and expenses (legal costs, attorneys' fees and otherwise) related thereto.

4.5 COUNTERPARTS/ELECTRONIC EXECUTION AND DELIVERY. This Agreement may be executed in one or more counterparts and by facsimile, each of which shall constitute an original and all of which together shall constitute one and the same instrument. Signatures of the Parties transmitted by facsimile or via .pdf format shall be deemed to be their original signatures for all purposes. The words "execution," "signed," "signature," and words of like import shall be deemed to include electronic signatures or the keeping of records in electronic form, each of which shall be of the same legal effect, validity or enforceability as a manually executed signature or the use of a paper-based recordkeeping system, as the case may be, to the extent and as provided for in any applicable law, including the Federal Electronic Signatures in Global and National Commerce Act, the Delaware Electronic Transactions Act, or any other similar state laws based on the Uniform Electronic Transactions Act. This Agreement and any signed agreement or instrument entered into in connection with this Agreement, and any amendments hereto or thereto, to the extent delivered by means of a facsimile machine or electronic mail (any such delivery, an ***"Electronic Delivery"***), will be treated in all manner and respects as an original agreement or instrument and will be considered to have the same binding legal effect as if it were the original signed version thereof delivered in person. At the request of any Party hereto or to any such agreement or instrument, each other Party hereto or thereto will re-execute original forms thereof and deliver them to all other Parties. No Party hereto or to any such agreement or instrument will raise the use of Electronic Delivery to deliver a signature or the fact that any signature or agreement or instrument was transmitted or communicated through the use of Electronic Delivery as a defense to the formation of a contract, and each such Party forever waives any such defense, except to the extent such defense related to lack of authenticity.

IN WITNESS WHEREOF, the Parties have executed and delivered this Agreement as of the date first written above.

THE COMPANY:	**EMPLOYEE:**
GEMPHIRE THERAPEUTICS INC.	
By: /s/ Steven Gullans	/s/ Jeffrey S. Mathiesen
Name: Steven Gullans	**JEFFREY S. MATHIESEN**
Title: CEO	Date: September 21, 2018

EXHIBIT A

CONSULTING AGREEMENT

THIS CONSULTING SERVICES AGREEMENT (this ***"Agreement"***) is made this 21st day of September, 2018 (the ***"Effective Date"***), between **GEMPHIRE THERAPEUTICS INC.**, a Delaware corporation, whose address is 17199 N. Laurel Park Drive, Suite 401, Livonia, Michigan 48152 (the ***"Company"***) and **THE MATHIESEN GROUP, INC.** whose address is 12784 Kinross Lane, Naples, Florida 34120 (***"Consultant"***).

RECITALS

The Company desires to retain Consultant, and Consultant desires to be engaged by the Company, to perform certain consulting services pursuant to the terms and conditions of this Agreement.

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing and in the terms, conditions and covenants hereinafter set forth, the Company and Consultant agree as follows:

1. CERTAIN DEFINITIONS. Capitalized terms used in this Agreement and not otherwise defined shall have the following meanings:

(a) ***"Company Documents and Materials"*** means documents or other media, whether in tangible or intangible form, that contain or embody Proprietary Information or any other information concerning the business, operations or plans of the Company, whether such documents or media have been prepared by Consultant or by others. Company Documents and Materials include, without limitation, blueprints, drawings, photographs, charts, graphs, notebooks, tests, test results, experiments, customer lists, computer disks, tapes or printouts, sound recordings and other printed, electronic, typewritten or handwritten documents or information, sample products, prototypes and models.

(b) ***"Inventions"*** means, without limitation, all software programs or subroutines, source or object code, algorithms, improvements, inventions, works of authorship, trade secrets, technology, designs, formulas, ideas, processes, techniques, know-how and data, whether or not patentable or copyrightable, made or discovered or conceived or reduced to practice or developed by Consultant, either alone or jointly with others.

(c) ***"Proprietary Information"*** means information that was or will be developed, created, or discovered by or on behalf of the Company, or which became or will become known to, or was or is conveyed to the Company, which has commercial value in the Company's business, whether or not patentable or copyrightable, including, without limitation, information about software programs and subroutines, source and object code, algorithms, trade secrets, designs, technology, know-how, processes, data, ideas, techniques, inventions, works of authorship, formulae, business and product development plans, customer lists, terms of compensation and performance levels of the Company's employees and consultants, the Company's customers and other information concerning the Company's actual or anticipated business, research or development, or which is received in confidence by or for the Company from any other person or entity.

(d) ***"Services"*** means the consulting services to be performed by Consultant on behalf of the Company described on EXHIBIT A attached hereto.

2. SERVICES. The Company hereby engages Consultant, and Consultant accepts such engagement, to perform the Services. Consultant shall provide the Services at such specific times and at such particular locations as Consultant and the Company mutually determine from time to time.

3. TERM. The term of this Agreement shall commence on the Effective Date and terminate on the date that is eight (8) months after the Effective Date. Notwithstanding the foregoing, Consultant may terminate this Agreement for any reason upon giving not less than 15 days' notice and either party may terminate this Agreement immediately upon occurrence of any of the following events: (i) the breach of this Agreement by the other party, which breach is not cured within ten days after written notice of such breach; (ii) the dissolution, voluntary or involuntary bankruptcy of either party, or assignment by either party of all or substantially all of its assets for the benefit of creditors; (iii) embezzlement, insubordination, fraud or deceit in Consultant's performance of Consultant's obligations hereunder; or (iv) Consultant's breach of that certain Separation and Release Agreement between the Company and Consultant (the ***"Separation Agreement"***). Notwithstanding the termination of this Agreement, any liability or obligation of either party which may have accrued prior to such termination shall continue in full force and effect, including but not limited to the rights and obligations of the parties hereto under Sections 5 through 25 of this Agreement.

4. COMPENSATION. In consideration of Consultant's performance of the Services, the Company shall pay Consultant at the base rate of Two Hundred Fifty Dollars ($250.00) per hour for the Services rendered by Consultant. For Services rendered during any calendar month during the term of this Agreement, Consultant must submit an invoice for such Services to the Company no later than the last day of the next following calendar month and, provided that Consultant satisfies such deadline, the Company shall pay such invoice on a net (30) days after the date the Company receives such invoice.

5. EXPENSES. The Company shall reimburse Consultant for reasonable, documented and actual expenses incurred by Consultant in connection with the performance of the Services; provided, however, that Consultant shall not incur any such expense relating to a single activity or trip in excess of Five Hundred Dollars ($500.00) (the ***"Threshold Amount"***) without first obtaining the written consent and approval of the Company. Consultant shall submit invoices each week for expenses incurred the previous week. The Company shall make any such reimbursement within ten (10) days after receipt of an invoice therefore, accompanied by photocopies of receipts, vouchers or other written evidence of the expenses incurred. The Company shall have no obligation to reimburse Consultant for expenses in excess of the Threshold Amount that were not approved in advance by the Company.

6. CONFIDENTIALITY OF PROPRIETARY INFORMATION.

(a) Nature of Information. Consultant understands that the Company possesses and will possess Proprietary Information which is important to its business. Consultant understands that Consultant's engagement creates a relationship of confidence and trust between the Company and Consultant with respect to Proprietary Information.

(b) Property of the Company. Consultant acknowledges and agrees that all Company Documents and Materials, Proprietary Information and all patents, patent rights, copyrights, trade secret rights, trademark rights and other rights (including, without limitation, intellectual property rights) anywhere in the world in connection therewith is and shall be the sole property of the Company. Consultant hereby assigns to the Company any and all rights, title and interest Consultant may have or acquire in the Proprietary Information or any Company Documents and Materials.

(c) Confidentiality. At all times, both during the term of Consultant's engagement by the Company and after Consultant's termination, Consultant shall keep in confidence and trust and shall not use or disclose any Proprietary Information or anything relating to it without the prior written consent of the Chief Executive Officer or other duly designated officer of the Company, except as may be necessary in the ordinary course of performing Consultant's duties for the Company.

(d) Compelled Disclosure. In the event that Consultant is requested in any proceeding to disclose any Proprietary Information, Consultant shall give the Company prompt notice of such request so that the Company may seek an appropriate protective order. If, in the absence of a protective order, Consultant is nonetheless

compelled by any court or tribunal of competent jurisdiction to disclose Proprietary Information, Consultant may disclose such information without liability hereunder; provided, however, that Consultant gives the Company notice of the Proprietary Information to be disclosed as far in advance of its disclosure as is practicable and uses Consultant's best efforts to obtain assurances that confidential treatment will be accorded to such Proprietary Information.

(e) Whistleblower. Nothing in this Agreement will be construed to prohibit Consultant from filing a charge with, reporting possible violations to, or participating or cooperating with any governmental agency or entity, including but not limited to the Equal Employment Opportunity Commission, the Department of Justice, the Securities Exchange Commission, Congress, or any agency Inspector General, or making other disclosures that are protected under the whistleblower, anti-discrimination, or anti-retaliation provisions of federal, state or local law or regulation; provided, however, that Consultant may not disclosure Proprietary Information that is protected by the attorney-client privilege, except as expressly authorized by law. Consultant does not need the prior authorization of the Company to make any such reports or disclosures, and Consultant is not required to notify the Company that Consultant has made such reports or disclosures.

(f) Records. Consultant agrees to make and maintain adequate and current written records, in a form specified by the Company, of all Inventions, trade secrets and works of authorship assigned or to be assigned to the Company pursuant to this Agreement.

(g) Handling of the Company Documents and Materials. Consultant agrees that during Consultant's engagement by the Company, Consultant shall not remove any Company Documents and Materials from the business premises of the Company or deliver any Company Documents and Materials to any person or entity outside the Company, except as Consultant may be required to do in connection with performing the Services. Consultant further agrees that, immediately upon the termination of Consultant's engagement by Consultant or by the Company for any reason, or during Consultant's engagement if so requested by the Company, Consultant shall return all Company Documents and Materials, apparatus, equipment and other physical property, or any reproduction of such property, excepting only (i) Consultant's personal copies of personnel records and records relating to Consultant's compensation; and (ii) Consultant's copy of this Agreement.

7. INVENTIONS.

(a) Disclosure. Consultant shall promptly disclose in writing to Consultant's supervisor or to such person designated by the Company all Inventions made during the term of Consultant's engagement with the Company related to the Services. Consultant shall also disclose to Consultant's supervisor or such designee all Inventions made, discovered, conceived, reduced to practice or developed by Consultant either alone or jointly with others, within six (6) months after the termination of Consultant's engagement with the Company which resulted, in whole or in part, from Consultant's prior engagement with the Company and are related to the Services. Such disclosures shall be received by the Company in confidence, to the extent such Inventions are not assigned to the Company pursuant to subsection (b) below, and do not extend the assignments made in such subsection.

(b) Assignment of Inventions to the Company. Consultant agrees that all Inventions which Consultant makes, discovers, conceives, reduces to practice or develops (in whole or in part, either alone or jointly with others) during Consultant's engagement related to the Services, including, but not limited to, conceptions or ideas derived prior to Consultant's engagement but related to the Services and reduced to practice or developed (in whole or in part, either alone or jointly with others) during Consultant's engagement with the Company, shall be the sole property of the Company to the maximum extent permitted by law and Consultant agrees to assign and hereby does assign to the Company all right title and interest to the Inventions.

(c) Works Made for Hire. Consultant agrees that the Company shall be the sole owner of all patents, patent rights, copyrights, trade secret rights, trademark rights and all other intellectual property or other rights in connection with Inventions related to the Services. Consultant further acknowledges and agrees that such Inventions related to the Services, including, without limitation, any computer programs, programming

documentation and other works of authorship, are "works made for hire" for purposes of the Company's rights under copyright laws. Consultant hereby assigns to the Company any and all rights, title and interest Consultant may have or acquire in such Inventions. If in the course of Consultant's engagement with the Company, Consultant incorporates into a Company product, process or a machine a prior Invention or improvement not related to the Services that is owned by Consultant or in which Consultant has an interest, the Company is hereby granted and shall have a non-exclusive, royalty-free, irrevocable, perpetual, sublicensable, worldwide license to make, have made, modify, use, market, sell and distribute such prior Invention as part of or in connection with such product process or machine. If in the course of Consultant's engagement with the Company, Consultant incorporates into a Company product, process or a machine a prior Invention or improvement related to the Services owned by Consultant or in which Consultant has an interest, Consultant agrees to assign and hereby does assign all rights and interest in the Invention to the Company.

(d) Cooperation. Consultant agrees to perform, during and after Consultant's engagement, all acts deemed necessary or desirable by the Company to permit and assist it, at the Company's expense, in further evidencing and perfecting the assignments made to the Company under this Agreement and in obtaining, maintaining, defending and enforcing patents, patent rights, copyrights, trademark rights, trade secret rights or any other rights in connection with such Inventions and improvements related to the Services in any and all countries. Such acts may include, without limitation, execution of documents and assistance or cooperation in legal proceedings. Consultant hereby irrevocably designates and appoints the Company and its duly authorized officers and agents, as Consultant's agents and attorney-in-fact, coupled with an interest, to act for and on Consultant's behalf and in Consultant's place and stead, to execute and file any documents, applications or related findings and to do all other lawfully permitted acts to further the purposes set forth above in this Section, including, without limitation, the perfection of assignment and the prosecution and issuance of patents, patent applications, filing with the FDA, copyright applications and registrations, trademark applications and registrations or other rights in connection with such Inventions and improvements related to the Services with the same legal force and effect as if executed by Consultant.

(e) Assignment or Waiver of Moral Rights. Any assignment of copyright hereunder (and any ownership of a copyright as a work made for hire) includes all rights of paternity, integrity, disclosure and withdrawal and any other rights that may be known as or referred to as "Moral Rights" (collectively, ***"Moral Rights"***). To the extent such Moral Rights cannot be assigned under applicable law and to the extent the following is allowed by the law in the various countries where Moral Rights exist, Consultant hereby waives such Moral Rights and consents to any action of the Company that would violate such Moral Rights in the absence of such consent.

(f) Holdover Assignment.

(i) Consultant agrees to, after the termination of Consultant's engagement with the Company for any reason, (1) disclose immediately to the Company all Inventions related to the Services, patentable or not; (2) assist, at the Company's expense, such applications for United States patents and foreign patents covering such Inventions related to the Services as the Company may request; (3) assign to the Company without further compensation to Consultant the entire title and rights to all such Inventions and applications related to the Services that Consultant may have, and (4) execute, acknowledge, deliver, or act as otherwise necessary at the request of the Company all such papers, including but not limited to patent applications, assignments, power of attorney, as necessary to secure the Company the full rights to such Inventions and applications related to the Services.

(ii) The Inventions related to the Services which shall come under this Section 7(f) shall include all Inventions related to the Services that (1) Consultant conceives, reduces to practice, or otherwise makes or develops, either solely or jointly with others, within one year after the termination of this Agreement; and (2) are in any way based on any trade secret or confidential or proprietary information that Consultant learned during Consultant's engagement with the Company; or result from any work performed by Consultant for the Company under this Agreement; or are in any way related to the subject matter or activities of Consultant's engagement with the Company.

8. NON-SOLICITATION OR HIRE OF THE COMPANY EMPLOYEES. During the term of this Agreement and for one (1) year thereafter, Consultant shall not encourage or solicit any employee of the Company to leave the Company for any reason.

9. NON-SOLICITATION OF NON-EMPLOYEES. During the term of this Agreement, Consultant shall not interfere with or attempt to impair the relationship between the Company and any of its non-employee consultants and advisors or otherwise induce any non-employee consultant or advisor of the Company to terminate association with the Company. The Company will not interfere with or attempt to impair the relationship between the Consultant and any non-employee consultants and advisors during the term of this Agreement and for one (1) year thereafter.

10. ARRANGEMENT NON-EXCLUSIVE. Consultant agrees that, if Consultant enters into an agreement with another entity which is in the same or similar line of business as the Company or a competitor of the Company, such agreement will constitute a conflict of interest with this Agreement and Consultant shall promptly notify the Company of such conflict in writing. The Company may, at its option, elect to terminate this Agreement upon receipt of Consultant's notice by, and upon, giving notice of such elections to the Company.

11. COMPANY AUTHORIZATION FOR PUBLICATION. Prior to Consultant's submitting or disclosing for possible publication or dissemination outside the Company any material prepared by Consultant that incorporates information that concerns the Company's business or anticipated research, Consultant agrees to deliver a copy of such material to the Chief Executive Officer of the Company for review. Within twenty (20) days following such submission, the Company agrees to notify Consultant in writing whether the Company believes such material contains any Proprietary Information or Inventions related to the Services, and Consultant agrees to make such deletions and revisions as are reasonably requested by the Company to protect its Proprietary Information and Inventions related to the Services. Consultant further agrees to obtain the written consent of the Company prior to any review of such material by persons outside the Company.

12. INDEPENDENT CONTRACTOR. The Company and Consultant mutually understand and agree that Consultant shall be at all times acting and performing as an independent contractor. Nothing in this Agreement is intended to create an employer/employee relationship or a joint venture relationship between the parties. The parties agree that Consultant is not eligible for any compensation, fringe benefits, pension, workers' compensation, sickness or health insurance benefits, or other similar benefits accorded employees of the Company. The parties agree that the Company will not withhold any sums for income tax, unemployment insurance, social security, or any other withholding pursuant to any law or requirement of any governmental body on behalf of Consultant. Consultant acknowledges and agrees that the Company has no obligation under local, state, or federal laws regarding Consultant and that the total commitment and liability of the Company in regard to any arrangement with, or work performed by, Consultant hereunder is to pay the fees and expenses pursuant to the provisions hereof. Consultant shall indemnify and hold the Company harmless from any and all loss, damage, claims, payments, or liability arising with respect to any such payment, withholdings, and benefits, if any. Nothing in this Agreement is intended to allow the Company to exercise control or direction over the manner or method by which Consultant performs the Services under the terms of Consultant's engagement by the Company.

13. SECTION 409A OF THE CODE. The Parties intend that all payments and benefits to be made or provided pursuant to this Agreement be exempt from or in compliance with section 409A of the Internal Revenue Code of 1986, as amended, and the regulations and other guidance thereunder (***"Code Section 409A"***). The amount of expenses eligible for reimbursement under this Agreement during any calendar year shall not affect the expenses eligible for reimbursement in any other calendar year, the reimbursement of an eligible expense under this Agreement shall be made no later than the last day of the calendar year next following the calendar year in which the expense was incurred, and the right to reimbursement of eligible expenses is not subject to liquidation or exchange for another benefit. Notwithstanding the foregoing or any other provision of this Agreement, no particular tax result for Consultant in respect of any payment or benefit under this Agreement is guaranteed, and Consultant alone will be responsible for any taxes, interest or penalties imposed upon Consultant under Code Section 409A in connection with this Agreement.

14. MAINTENANCE OF RECORDS. During the term of this Agreement and, until the expiration of two (2) years after the furnishing of the Services pursuant to this Agreement, Consultant shall make available, upon written request of the Company or its designee, any records maintained by Consultant regarding any of the Services performed hereunder by Consultant. Consultant is not obligated to maintain software to support access of records and will be compensated for the time and effort to make the records available.

15. NO AUTHORITY TO BIND. Consultant shall have no power or authority to execute any agreements or contracts for or on behalf of the Company nor to bind the Company in any other manner.

16. INDEMNIFICATION. Consultant shall save, indemnify, defend and hold the Company harmless from any liability, claim, loss, damage, or expenses, including, without limitation, reasonable attorney fees, arising from Consultant's acts, errors, or omissions in the course of providing the Services. The Company shall save, indemnify, defend and hold Consultant harmless from any liability, claim, loss, damage, or expenses, including, without limitation, reasonable attorney fees, arising from the Company's acts or omissions in the course of performing the Company's obligations arising under the terms and conditions of this Agreement.

17. INJUNCTIVE RELIEF. Consultant acknowledges that breach of any of the provisions of this Agreement could cause the Company irreparable injury for which no adequate remedy at law exists. Accordingly, the Company shall have the right, in addition to any other rights it may have, and by executing this Agreement Consultant hereby consents, to the entry in any court having jurisdiction of a temporary or permanent restraining order or injunction restraining or enjoining Consultant from any violation of this Agreement. Consultant further agrees to waive, and to use Consultant's best efforts to cause Consultant's directors, officers, employees and agents, if any, to waive, any requirement for the securing or posting of any bond in connection with such remedy.

18. NO ASSIGNMENT. This Agreement may not be assigned by either party without the written consent of the other party.

19. SEVERABILITY. Consultant agrees that if one or more provisions of this Agreement are held to be unenforceable under applicable law, such provisions shall be excluded from this Agreement and the balance of the Agreement shall be interpreted as if such provision were so excluded and shall be enforceable in accordance with its terms.

20. BINDING EFFECT. This Agreement shall inure to the benefit of and be binding upon, the parties and their respective successors and permitted assigns.

21. AMENDMENT. This Agreement may not be amended except by mutual written Agreement of the parties.

22. NOTICES. All notices, requests, demands and other communications shall be in writing and shall be deemed to have been duly given or made if delivered by hand, in which case notice will be deemed effective upon receipt, or, if by mail by certified or registered mail, with postage prepaid to the address of such party set forth in the introductory paragraph of this Agreement or to such address directed by a party in writing, in which case notice will be deemed effective upon mailing. The return receipt, the delivery receipt, or the affidavit of messenger will be deemed conclusive but not exclusive evidence of delivery; delivery will also be presumed at such time as delivery is refused by the addressee upon presentation.

23. ENTIRE AGREEMENT. This Agreement together with the Separation Agreement shall constitute the entire agreement between the parties and supersedes any and all other written or oral agreements between Consultant and the Company with respect to the subject matter of this Agreement.

24. GOVERNING LAW; CONSENT TO JURISDICTION, WAIVER OF JURY TRIAL. This Agreement shall be governed by and construed in accordance with the internal laws of the State of Michigan, without regard to its principles of conflicts of laws. Each of the parties hereto irrevocably submits to the exclusive jurisdiction of the

state and federal courts of the State of Michigan for the purpose of any suit, action, proceeding or judgment relating to or arising out of this Agreement and the transactions contemplated hereby. Service of process in connection with any such suit, action or proceeding may be served on each party hereto anywhere in the world by the same methods as are specified for the giving of notices under this Agreement. Each of the parties hereto irrevocably consents to the jurisdiction of any such court in any such suit, action or proceeding and to the laying of venue in such court. Each party hereto irrevocably waives any objection to the laying of venue of any such suit, action or proceeding brought in such courts and irrevocably waives any claim that any such suit, action or proceeding brought in any such court has been brought in an inconvenient forum. EACH OF THE PARTIES HERETO WAIVES ANY RIGHT TO REQUEST A TRIAL BY JURY IN ANY LITIGATION WITH RESPECT TO THIS AGREEMENT AND REPRESENTS THAT COUNSEL HAS BEEN CONSULTED SPECIFICALLY AS TO THIS WAIVER.

25. COUNTERPARTS/ELECTRONIC EXECUTION AND DELIVERY. This Agreement may be executed in one or more counterparts and by facsimile, each of which shall constitute an original and all of which together shall constitute one and the same instrument. Signatures of the Parties transmitted by facsimile or via .pdf format shall be deemed to be their original signatures for all purposes. The words "execution," "signed," "signature," and words of like import shall be deemed to include electronic signatures or the keeping of records in electronic form, each of which shall be of the same legal effect, validity or enforceability as a manually executed signature or the use of a paper-based recordkeeping system, as the case may be, to the extent and as provided for in any applicable law, including the Federal Electronic Signatures in Global and National Commerce Act, the Delaware Electronic Transactions Act, or any other similar state laws based on the Uniform Electronic Transactions Act. This Agreement and any signed agreement or instrument entered into in connection with this Agreement, and any amendments hereto or thereto, to the extent delivered by means of a facsimile machine or electronic mail (any such delivery, an ***"Electronic Delivery"***), will be treated in all manner and respects as an original agreement or instrument and will be considered to have the same binding legal effect as if it were the original signed version thereof delivered in person. At the request of any party hereto or to any such agreement or instrument, each other party hereto or thereto will re-execute original forms thereof and deliver them to all other parties. No party hereto or to any such agreement or instrument will raise the use of Electronic Delivery to deliver a signature or the fact that any signature or agreement or instrument was transmitted or communicated through the use of Electronic Delivery as a defense to the formation of a contract, and each such party forever waives any such defense, except to the extent such defense related to lack of authenticity.

SIGNATURES ON THE FOLLOWING PAGE

IN WITNESS WHEREOF, the Company and Consultant have made this Agreement effective as of the date first set forth above.

CONSULTANT:	**THE COMPANY:**
THE MATHIESEN GROUP, INC.	**GEMPHIRE THERAPEUTICS INC.**
	By: _____
JEFFREY S. MATHIESEN	Name: _____
	Title: _____

SIGNATURE PAGE TO CONSULTING AGREEMENT

EXHIBIT A

DESCRIPTION OF SERVICES

Consultation on certain financial and accounting matters requested by the Company from time to time. Consultant will report to the Company's Chief Executive Officer.

SEPARATION AND RELEASE AGREEMENT

THIS SEPARATION AND RELEASE AGREEMENT (this ***"Agreement"***) is made as of September 21, 2018 by and between **GEMPHIRE THERAPEUTICS INC.**, a Delaware corporation, whose address is 17199 N. Laurel Park Drive, Suite 401, Livonia, Michigan 48152 (the ***"Company"***) and **LEE GOLDEN** whose address is as reflected in the personnel records of the Company (***"Employee"***). Capitalized terms used but not defined in this Agreement will have the meanings ascribed to them in the Employment Agreement between Employee and the Company dated September 6, 2016 (the ***"Employment Agreement"***).

RECITALS

WHEREAS, Employee has been employed as the Chief Medical Officer of the Company since October 5, 2016; and

WHEREAS, the Company and Employee (collectively, the ***"Parties"*** and each, without distinction, a ***"Party"***) have mutually agreed to terminate the existing employment relationship on the terms and conditions set forth in this Agreement.

AGREEMENT

NOW, **THEREFORE**, in consideration of the foregoing premises and for other good and valuable consideration, the receipt and sufficiency of which are hereby expressly acknowledged, the Parties, intending to be legally bound, hereby agree as follows:

ARTICLE 1
EMPLOYMENT TERMINATION, PAYMENTS AND RESIGNATION

1.1 TERMINATION OF EMPLOYMENT. Employee's employment with the Company shall terminate as of September 21, 2018 (the ***"Termination Date"***). Effective as of the Termination Date, Employee resigns from every office of the Company held by Employee. The Company shall pay Employee's compensation for hours worked through the Termination Date, subject to withholding and payable in accordance with the Company's payroll practices. In addition, the Company will reimburse Employee for Employee's outstanding documented business expenses remaining on the Company's books, which were properly reviewed and approved according to the Company's policies in effect on the Termination Date. Employee will receive the foregoing payments regardless of whether Employee executes this Agreement.

1.2 SEPARATION CONSIDERATION. As consideration for Employee's agreements and releases set forth herein, following the later to occur of the (i) execution of this Agreement and expiration of the Revocation Period (as defined below) and (ii) the Termination Date, and recognizing that without execution of this Agreement, Employee would not be entitled to any additional compensation beyond wages due, the Company agrees to provide Employee with the following benefits after the Termination Date, provided this Agreement becomes effective in accordance with Section 2.2 of this Agreement:

(a) the Company will pay Employee the aggregate sum of $182,500.00, which shall be paid in accordance with the Company's normal payroll practices in one lump sum on the 60th day following the Termination Date, subject to payroll deductions and all required withholdings;

(b) the Company agrees to use commercially reasonable efforts to cause Employee to continue to be included as a beneficiary under the Company's directors' and officers' insurance policy in connection with Employee's service as an officer of the Company prior to the Termination Date;

(c) As of the day following the expiration of the revocation period referenced in Section 2.2, Employee will be deemed to have vested in all stock options under the Original Stock Option Award Documents that

would otherwise have vested had Employee remained employed through October 5, 2019. Employee will not further vest in any other stock options under the Original Stock Option Award Documents. The vested options shall be immediately exercisable in accordance with the applicable Original Stock Option Award Documents, subject to the same conditions as if the Employee had remained employed until October 5, 2019. All such vested stock options shall remain exercisable until the stock option termination date. All of the Employee's stock options that were vested and exercisable as of the Termination Date shall remain exercisable until the expiration date of such stock options. Except as otherwise expressly provided herein, all stock options shall continue to be subject to the Original Stock Option Award Documents.

1.3 CONFLICT WITH OTHER AGREEMENTS. In the event of any conflict of the provisions between this Agreement and the Employment Agreement, the provisions set forth in this Agreement shall control. In the event of any conflict between this Agreement and the provisions of that certain Employee Proprietary Information and Inventions Assignment and Non-Competition Agreement dated as of November 3, 2016 between the Company and Employee (the ***"Invention Assignment Agreement"***), the terms and conditions of the Invention Assignment Agreement shall control over the terms of this Agreement.

1.4 ACKNOWLEDGEMENT. Except as provided in this Article 1, the Parties acknowledge and agree that Employee is not, and shall not after the Termination Date, be eligible for any additional payment by the Company of any bonus, salary, vacation pay, retirement pension, severance pay, back pay, or other remuneration or compensation of any kind in respect of employment by the Company. Employee hereby confirms to the Company that the Invention Assignment Agreement contains a complete list of all inventions or improvements, if any, to which Employee claims ownership and desires to remove from the operation of the Invention Assignment Agreement. Employee further agrees that the Invention Assignment Agreement remains in full force and effect, and Employee hereby reaffirms Employee's obligations arising under the terms of the Invention Assignment Agreement. Employee agrees to return to the Company all Company documents and materials, apparatus, equipment and other physical property in Employee's possession within two (2) days of the Termination Date and in the manner directed by the Company's Chief Executive Officer (the ***"CEO"***).

1.5 COOPERATION AND ASSISTANCE. Following the Termination Date, Employee agrees to furnish such information and assistance to the Company as may be reasonably required by the Company in connection with any issues or matters of which Employee had knowledge during Employee's employment with the Company. In addition, Employee shall make Employee reasonably available to assist the Company in matters relating to the transition of Employee's prior duties to other employees of the Company, as may be reasonably requested by the Company. The Company shall provide reasonable notice to Employee of its need for any cooperation and/or assistance from Employee, and shall reimburse Employee for the reasonable documented out-of-pocket expenses incurred by Employee in providing such cooperation and assistance; provided that any such expense exceeding Five Hundred Dollars ($500) shall require the advance consent of the CEO. Such reasonable expenses may, at Employee's option, include reasonable legal fees incurred by Employee in connection with any cooperation and/or assistance provided by Employee to the Company in the context of any litigation, threatened litigation, or other legal matter. Any services rendered by Employee pursuant to this Section 1.5 shall be governed by the applicable terms and conditions of the Invention Assignment Agreement. Employee shall promptly deliver to Dr. Steven Gullans via email to sgullans@gemphire.com all correspondence and any inquires that Employee receives (including the contents of any telephone calls or emails received by Employee) from any third party concerning any issue of material significance to the Company.

1.6 INDEMNIFICATION. The Parties hereby reaffirm their respective obligations under the Company's standard form of indemnification agreement (a copy of which is attached as Exhibit 10.1 to the Company's Registration Statement on Form S-1 (Registration No. 333-210815) filed with the SEC on April 18, 2016) previously entered into by the Company and Employee (the ***"Indemnification Agreement"***), as well as (a) the indemnification provisions of the Company's Third Amended and Restated Certificate of Incorporation and Amended and Restated Bylaws as in effect on the Termination Date and (b) any right to indemnification afforded under applicable state and federal law (collectively, the ***"Indemnification Obligations"***).

1.7 STATEMENT REGARDING RESIGNATION; SEC MATTERS. Employee acknowledges that Company is obligated to report Employee's termination of employment with the Company on a Form 8-K (the ***"8-K"***) filed with the United States Securities and Exchange Commission (the ***"SEC"***), within four (4) business days after the Termination Date. Employee agrees that the 8-K may contain a statement summarizing the terms and conditions of this Agreement and the fact that Employee's employment with the Company was terminated as of the Termination Date. Employee will cooperate with the Company in providing information with respect to all reports required to be filed by the Company with the SEC as they relate to required information with respect to Employee. Further, Employee will remain in compliance with the terms of the Company's insider trading policy with respect to purchases and sales of the Company's securities. Employee acknowledges and agrees that the Company may be required to file a copy of this Agreement with the SEC.

1.8 SECTION 409A OF THE CODE. The Parties intend that all payments and benefits to be made or provided pursuant to this Agreement be exempt from or in compliance with section 409A of the Internal Revenue Code of 1986, as amended, and the regulations and other guidance thereunder (***"Code Section 409A"***). The amount of expenses eligible for reimbursement under this Agreement during any calendar year shall not affect the expenses eligible for reimbursement in any other calendar year, the reimbursement of an eligible expense under this Agreement shall be made no later than the last day of the calendar year next following the calendar year in which the expense was incurred, and the right to reimbursement of eligible expenses is not subject to liquidation or exchange for another benefit. Notwithstanding the foregoing or any other provision of this Agreement, no particular tax result for Employee in respect of any payment or benefit under this Agreement is guaranteed, and Employee alone will be responsible for any taxes, interest or penalties imposed upon Employee under Code Section 409A in connection with this Agreement.

ARTICLE 2
RELEASES AND NON-DISPARAGEMENT

2.1 EMPLOYEE RELEASE OF CLAIMS. In consideration for the separation consideration set forth in this Agreement, Employee, on behalf of Employee, Employee's heirs, executors, legal representatives, spouse and assigns (the ***"Employee Releasing Parties"***), hereby fully and forever releases the Company and its respective past and present officers, directors, employees, investors, stockholders, administrators, subsidiaries, affiliates, predecessor and successor corporations, assigns, attorneys and insurers (the ***"Company's Released Parties"***) of and from any claim, duty, obligation or cause of action relating to any matters of any kind, whether presently known or unknown, suspected or unsuspected, that any of them may possess arising from any omissions, acts or facts that have occurred through the date that Employee signs this Agreement, including, without limitation, any and all claims:

(a) which arise out of, result from, or occurred in connection with Employee's employment by the Company or any of its affiliated entities, the termination of that employment relationship, any events occurring in the course of that employment, or any events occurring prior to the execution of this Agreement;

(b) for wrongful discharge, discrimination, harassment and/or retaliation; breach of contract, both express and implied; breach of a covenant of good faith and fair dealing, both express and implied; negligent or intentional infliction of emotional distress; negligent or intentional misrepresentation; negligent or intentional interference with contract or prospective economic advantage; slander, libel or invasion of privacy; violation of public policy; fraud, misrepresentation or conspiracy; and false imprisonment (duplicative);

(c) (i) wrongful discharge of employment; any and all claims for wrongful discharge of employment, and/or (ii) violation of any federal, state or municipal statute relating to employment or employment discrimination, including, without limitation, (A) Title VII of the Civil Rights Act of 1964, as amended, (B) the Civil Rights Act of 1866, as amended, (C) the Civil Rights Act of 1991, as amended, (D) the Employee Retirement and Income Security Act of 1974, as amended, (E) the Age Discrimination in Employment Act of 1967, as amended (the ***"ADEA"***), including, without limitation, by the Older Workers' Benefit Protection Act, as amended (***"OWBPA"***), (F) the OWBPA, (G) the Americans with Disabilities Act of 1990, as amended, (H) any applicable state Persons with Disabilities Civil Rights Act, as amended, and (I) any applicable state Whistleblowers Protection Act, as amended;

(d) under Michigan common law or state statute including, but not limited to, those alleging wrongful discharge, express of implied breach of contract, negligence, invasion of privacy, intentional infliction of emotional distress, fraud, defamation, or violations of the Michigan Elliott-Larsen Civil Rights Act (ELCRA), Michigan Persons with Disabilities Civil Rights Act, Payment of Wages and Fringe Benefits Act, Michigan Whistleblowers' Protection Act, Bullard-Plawecki Employee Right to Know Act, the Michigan Occupational Safety and Health Act, the Michigan Social Security Number Privacy Act, and the Michigan Internet Privacy Protection Act, all as amended together with all of their respective implementing regulations and/or any other federal, state, local or foreign law (statutory, regulatory or otherwise) that may be legally waived and released;

(e) for back pay or other unpaid compensation;

(f) relating to equity of the Company; and/or

(g) for attorneys' fees and costs.

To the fullest extent permitted by law, Employee will not take any action that is contrary to the promises Employee has made in this Agreement. Employee represents that Employee has not filed any lawsuit, arbitration, or other claim against any of the Company's Released Parties. Employee states that Employee knows of no violation of state, federal, or municipal law or regulation by any of the Company's Released Parties, and knows of no ongoing or pending investigation, charge, or complaint by any agency charged with enforcement of state, federal, or municipal law or regulation. While nothing in this Agreement prevents state or federal agencies from enforcing laws within their jurisdictions, Employee agrees Employee shall not receive any individual monetary damages, recovery and/or relief of any type related to any released claim(s), whether pursued by Employee or any governmental agency, other person or group; provided that nothing in the Agreement prevents Employee from participating in the whistleblower program maintained by the SEC and receiving a whistleblower award thereunder. Employee hereby agrees that the release set forth in this Agreement shall be and remain in effect in all respects as a complete general release as to the matters released. Nothing in the foregoing shall prevent Employee from commencing an action or proceeding to enforce Employee's rights arising under this Agreement or a claim for indemnification to which Employee is entitled as a current or former officer of the Company, or inclusion as a beneficiary of any insurance policy related to Employee's service in such capacity.

2.2 ACKNOWLEDGMENT OF WAIVER OF CLAIMS UNDER ADEA. Employee acknowledges that Employee is waiving and releasing any rights Employee may have under the OWBPA and the ADEA, and that this waiver and release is knowing and voluntary. Employee acknowledges that the consideration given for this waiver and release is in addition to anything of value to which Employee was already entitled. Employee further acknowledges that Employee has been advised by this writing that (a) Employee should consult with an attorney prior to executing this Agreement; (b) Employee has twenty-one (21) calendar days within which to consider this Agreement and that, if Employee executed this Agreement before expiration of that twenty-one (21) calendar day period, Employee did so knowingly and voluntarily and with the intent of waiving Employee's right to utilize the full twenty-one (21) calendar day consideration period; (c) Employee has seven (7) days following Employee's execution of this Agreement to revoke the Agreement (the ***"Revocation Period"***). Communication of any such revocation by Employee to the Company shall be provided in writing and mailed by certified or registered mail with return receipt requested and shall be addressed to the Company at its principal corporate offices to the attention of the Company's CEO, Steve Gullans. This Agreement shall not be effective until the Revocation Period has expired without any revocation having been communicated.

2.3 NO ADMISSION OF LIABILITY. Neither this Agreement nor any statement contained herein shall be deemed to constitute an admission of liability on the part of the parties herein released. This Agreement's execution and implementation may not be used as evidence, and shall not be admissible in a subsequent proceeding of any kind, except one alleging a breach of this Agreement, the Invention Assignment Agreement or the Employment Agreement.

2.4 NON-DISPARAGEMENT.

(a) For a period of three (3) years after the date of this Agreement, each Party covenants and agrees that such Party shall not make or cause to be made any statements, observations, opinions or communicate any information (whether in written or oral form) that defames, slanders or is likely in any way to harm the reputation of the other Party or any of its subsidiaries, affiliates, directors, or officers or tortiously interfere with any of the other Party's respective business relationships. Each Party acknowledges and agrees that any violation of the covenant contained in this Section 2.4 may result in irreparable damage to the other Party and that the other Party shall be entitled to seek injunctive and other equitable relief. In addition, each Party agrees that should it become necessary for the other Party to enforce any of the covenants contained in this Section 2.4 through any legal, administrative or alternative dispute resolution proceeding, the Party breaching any of the covenants shall reimburse the other Party for any and all reasonable fees and expenses (legal costs, attorneys' fees and otherwise) incurred by such Party in successfully enforcing such covenants and/or prosecuting any such proceeding or appeal therefrom to successful conclusion.

(b) In the event that either Party is ordered by a court of competent jurisdiction or is compelled by subpoena to disclose any information on the other Party, such Party may disclose that information without liability under Section 2.4(a); provided, however, that, unless precluded by law or court order, the disclosing Party gives the other Party written notice of the information to be disclosed as far in advance of its disclosure as is practicable.

(c) Each Party understands and agrees that the other Party may not be reasonably or adequately compensated in damages in an action at law for breach of the Party's obligations under this Section 2.4. Accordingly, each Party specifically agrees that the other Party shall be entitled to seek temporary and permanent injunctive relief, specific performance, and other equitable relief to enforce the provisions of this Section 2.4. This provision with respect to injunctive relief shall not, however, diminish the right of the Party to claim and recover damages or other remedies in addition to equitable relief. The Company agrees to use commercially reasonable efforts to cause the Company's directors and other executive officers to comply with the terms and conditions of this Section 2.4.

2.5 COMPANY RELEASE OF CLAIMS. In consideration for the obligations of Employee set forth in this Agreement and Employee's release of claims, the Company, on behalf of itself and the Company's Released Parties, hereby fully and forever releases Employee and the Employee Releasing Parties of and from any claim, duty, obligation or cause of action relating to Employee's employment with the Company, whether presently known or unknown, suspected or unsuspected, that any of them may possess arising from any omissions, acts or facts that have occurred up until and including the Termination Date. The Company agrees that the release set forth in this Section 2.5 shall be and remain in effect in all respects as a complete general release as to the matters released. This release does not extend to any obligations incurred or specified under this Agreement or any continuing obligations arising under the Employment Agreement or the Invention Assignment Agreement. The Company hereby irrevocably covenants to refrain from directly or indirectly, asserting any claim or demand, or commencing, instituting or causing to be commenced, any proceeding of any kind against Employee, based upon any matter purported to be released hereby.

ARTICLE 3
REPRESENTATIONS AND WARRANTIES

3.1 REPRESENTATIONS AND WARRANTIES OF EMPLOYEE. Employee warrants and represents to the Company that Employee:

(a) has been advised to consult with legal counsel in entering into this Agreement;

(b) has entirely read this Agreement;

(c) has voluntarily executed this Agreement without any duress or undue influence and with the full intent of releasing all claims;

(d) has received no promise, inducement or agreement not herein expressed with respect to this Agreement or the terms of this Agreement;

(e) is the only person (other than Employee's heirs) who is or may be entitled to receive or share in any damages or compensation on account of or arising out of Employee's relationship with, or providing services to, the Company or any of its affiliated entities, the termination of that relationship or services, any actions taken in the course of that relationship or services, and any events related to that relationship or services or occurring prior to the execution of this Agreement;

(f) understands and agrees that in the event any injury, loss, or damage has been sustained by Employee which is not now known or suspected, or in the event that the losses or damage now known or suspected have present consequences not known or suspected, this Agreement shall nevertheless constitute a full and final release as to the parties herein released, and that this Agreement shall apply to all such unknown or unsuspected injuries, losses, damages or consequences; and

(g) expressly acknowledges that Employee's entry into this Agreement is in exchange for consideration in addition to anything of value to which Employee is already entitled.

3.2 AUTHORITY. Employee represents and warrants that Employee has the capacity to act on Employee's own behalf and on behalf of all who might claim through Employee to bind them to the terms and conditions of this Agreement. Each Party warrants and represents that Employee has not assigned any claim released under this Agreement, and there are no liens or claims of lien or assignments in law or equity or otherwise of or against any of the claims or causes of action released herein.

3.3 NO OTHER REPRESENTATIONS. Neither Party has relied upon any representations or statements made by the other Party hereto which are not specifically set forth in this Agreement.

ARTICLE 4
MISCELLANEOUS

4.1 SEVERABILITY. Should any provision of this Agreement be declared or be determined by any arbitrator or court of competent jurisdiction to be illegal or invalid, the validity of the remaining parts, terms or provisions shall not be affected thereby and said illegal or invalid part, term, or provision shall be deemed not to be a part of this Agreement.

4.2 ENTIRE AGREEMENT. This Agreement represents the entire agreement and understanding between the Company and Employee concerning Employee's separation from the Company, and supersedes and replaces any and all prior agreements and understandings concerning Employee's relationship with the Company and Employee's compensation by the Company, including without limitation the Employment Agreement, provided, however, that this Agreement does not supersede or modify the Invention Assignment Agreement, the Indemnification Agreement, any continuing obligations of Employee under the Employment Agreement that do not conflict with the terms and conditions of this Agreement, and all of the agreements entered into by Employee with respect to the Original Stock Option Award Documents, all of which shall continue in full force and effect except as modified here. This Agreement may only be amended by a writing signed by Employee and the Company.

4.3 ASSIGNMENT. This Agreement may not be assigned by Employee without the prior written consent of the Company. The Company may assign this Agreement without Employee's consent in connection with a merger or sale of its assets and/or to a corporation controlling, controlled by or under common control with the Company. This Agreement shall inure to the benefit of, and be binding upon, each Party's respective heirs, legal representatives, successors and assigns.

4.4 GOVERNING LAW; CONSENT TO JURISDICTION, WAIVER OF JURY TRIAL. This Agreement shall be governed by and construed in accordance with the internal laws of the State of Michigan, without regard to its

principles of conflicts of laws. Each of the Parties hereto irrevocably submits to the exclusive jurisdiction of the state and federal courts of the State of Michigan for the purpose of any suit, action, proceeding or judgment relating to or arising out of this Agreement and the transactions contemplated hereby. Service of process in connection with any such suit, action or proceeding may be served on each Party hereto anywhere in the world by the same methods as are specified for the giving of notices under this Agreement. Each of the Parties hereto irrevocably consents to the jurisdiction of any such court in any such suit, action or proceeding and to the laying of venue in such court. Each Party hereto irrevocably waives any objection to the laying of venue of any such suit, action or proceeding brought in such courts and irrevocably waives any claim that any such suit, action or proceeding brought in any such court has been brought in an inconvenient forum. EACH OF THE PARTIES HERETO WAIVES ANY RIGHT TO REQUEST A TRIAL BY JURY IN ANY LITIGATION WITH RESPECT TO THIS AGREEMENT AND REPRESENTS THAT COUNSEL HAS BEEN CONSULTED SPECIFICALLY AS TO THIS WAIVER. In addition, should it become necessary for the Company to seek to enforce any of the covenants contained in this Agreement through any legal, administrative or alternative dispute resolution proceeding, Employee shall reimburse the Company for its reasonable fees and expenses (legal costs, attorneys' fees and otherwise) related thereto.

4.5 COUNTERPARTS/ELECTRONIC EXECUTION AND DELIVERY. This Agreement may be executed in one or more counterparts and by facsimile, each of which shall constitute an original and all of which together shall constitute one and the same instrument. Signatures of the Parties transmitted by facsimile or via .pdf format shall be deemed to be their original signatures for all purposes. The words "execution," "signed," "signature," and words of like import shall be deemed to include electronic signatures or the keeping of records in electronic form, each of which shall be of the same legal effect, validity or enforceability as a manually executed signature or the use of a paper-based recordkeeping system, as the case may be, to the extent and as provided for in any applicable law, including the Federal Electronic Signatures in Global and National Commerce Act, the Delaware Electronic Transactions Act, or any other similar state laws based on the Uniform Electronic Transactions Act. This Agreement and any signed agreement or instrument entered into in connection with this Agreement, and any amendments hereto or thereto, to the extent delivered by means of a facsimile machine or electronic mail (any such delivery, an ***"Electronic Delivery"***), will be treated in all manner and respects as an original agreement or instrument and will be considered to have the same binding legal effect as if it were the original signed version thereof delivered in person. At the request of any Party hereto or to any such agreement or instrument, each other Party hereto or thereto will re-execute original forms thereof and deliver them to all other Parties. No Party hereto or to any such agreement or instrument will raise the use of Electronic Delivery to deliver a signature or the fact that any signature or agreement or instrument was transmitted or communicated through the use of Electronic Delivery as a defense to the formation of a contract, and each such Party forever waives any such defense, except to the extent such defense related to lack of authenticity.

IN WITNESS WHEREOF, the Parties have executed and delivered this Agreement as of the date first written above.

THE COMPANY:	**EMPLOYEE:**
GEMPHIRE THERAPEUTICS INC.	
By: /s/ Steven Gullans	/s/ Lee Golden
Name: Steven Gullans	**LEE GOLDEN**
Title: CEO	Date: 9/23/18

Exhibit 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO EXCHANGE ACT RULE 13a-14(a) OR 15d-14(a), AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES OXLEY ACT OF 2002

I, Steven Gullans, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Gemphire Therapeutics Inc. for the quarterly period ended September 30, 2018;

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. I am 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. 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: November 8, 2018

/s/ STEVEN GULLANS
Name: Steven Gullans
Title: President and Chief Executive Officer
(Principal Executive Officer and Principal Financial Officer)

Exhibit 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*

Pursuant to the requirement set forth in Rule 13a-14(b) or Rule 15d-14(b) of the Securities and Exchange Act of 1934, as amended (the "Exchange Act"), and Section 1350 of Chapter 63 of Title 18 of the United States Code, Steven Gullans, President and Chief Executive Officer of Gemphire Therapeutics Inc. (the "Company") hereby certifies that, to the best of his knowledge:

1. The Company's Quarterly Report on Form 10-Q for the period ended September 30, 2018, to which this Certification is attached as Exhibit 32.1 (the "Quarterly Report") fully complies with the requirements of Section 13(a) or Section 15(d) of the Exchange Act, and

2. The information contained in the Quarterly Report fairly presents, in all material respects, the financial condition of the Company at the end of the period covered by the Quarterly Report and results of operations of the Company for the period covered by the Quarterly Report.

/s/ STEVEN GULLANS
President and Chief Executive Officer
(Principal Executive Officer and Principal Financial Officer)

Dated: November 8, 2018

* This certification accompanies the report 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 Gemphire Therapeutics Inc. under the Securities Act of 1933, as amended, or the Exchange Act made before or after the date of the report, irrespective of any general incorporation language contained in such filing.