

RXi Pharmaceuticals Corp  
Form 10-Q  
November 10, 2016  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**WASHINGTON, D.C. 20549**

**FORM 10-Q**

(Mark One)

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

**For the quarterly period ended September 30, 2016**

**OR**

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

**For the transition period from \_\_\_\_\_ to \_\_\_\_\_**

**Commission File Number: 000-54910**

**RXi Pharmaceuticals Corporation**

**(Exact name of registrant as specified in its charter)**

**Delaware**  
**(State of incorporation)**

**45-3215903**  
**(I.R.S. Employer**

**Identification No.)**  
**257 Simarano Drive, Suite 101, Marlborough, MA 01752**

**(Address of principal executive office) (Zip code)**

**Registrant's telephone number: (508) 767-3861**

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

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

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

Large accelerated filer

Accelerated filer

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

Smaller reporting company

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

As of November 4, 2016, RXi Pharmaceuticals Corporation had 6,599,846 shares of common stock, \$0.0001 par value, outstanding.

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(Amounts in thousands, except share and per share data)

(Unaudited)

	September 30, 2016	December 31, 2015
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 2,379	\$ 5,117
Restricted cash	50	50
Short-term investments	2,000	5,500
Prepaid expenses	321	311
Total current assets	4,750	10,978
Property and equipment, net	124	163
Other assets	27	18
Total assets	\$ 4,901	\$ 11,159
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 457	\$ 1,163
Accrued expenses	1,408	1,106
Total current liabilities	1,865	2,269
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, \$0.0001 par value; 10,000,000 authorized; no shares issued or outstanding		
Common stock, \$0.0001 par value, 100,000,000 shares authorized; 6,599,846 and 6,534,846 shares issued and outstanding at September 30, 2016 and December 31, 2015, respectively	1	1
Additional paid-in capital	66,795	65,994
Accumulated deficit	(63,760)	(57,105)
Total stockholders' equity	3,036	8,890

Total liabilities and stockholders equity	\$	4,901	\$	11,159
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The accompanying notes are an integral part of these financial statements.

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**RXi PHARMACEUTICALS CORPORATION**  
**CONDENSED STATEMENTS OF OPERATIONS**

(Amounts in thousands, except share and per share data)

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Net revenues	\$	\$	\$ 19	\$ 34
Operating expenses:				
Research and development (1)	1,464	1,734	4,108	5,202
General and administrative (1)	752	770	2,587	2,447
Total operating expenses	2,216	2,504	6,695	7,649
Operating loss	(2,216)	(2,504)	(6,676)	(7,615)
Other income (expense):				
Interest income, net	4	8	15	10
Other income (expense), net			6	(2)
Total other income (expense)	4	8	21	8
Net loss	(2,212)	(2,496)	(6,655)	(7,607)
Series A and Series A-1 convertible preferred stock dividends				(209)
Net loss applicable to common stockholders	\$ (2,212)	\$ (2,496)	\$ (6,655)	\$ (7,816)
Net loss per common share applicable to common stockholders:				
Basic and diluted	\$ (0.34)	\$ (0.38)	\$ (1.02)	\$ (1.76)
Weighted average common shares: basic and diluted	6,576,096	6,494,912	6,548,696	4,445,192

(1) Non-cash stock-based compensation expenses included in operating expenses are as follows:

Research and development	\$ 52	\$ 174	\$ 212	\$ 552
General and administrative	76	211	437	691

The accompanying notes are an integral part of these financial statements.



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**RXi PHARMACEUTICALS CORPORATION**  
**CONDENSED STATEMENTS OF CASH FLOWS**

(Amounts in thousands)

(Unaudited)

	<b>Nine Months Ended</b>	
	<b>September 30,</b>	
	<b>2016</b>	<b>2015</b>
Cash flows from operating activities:		
Net loss	\$ (6,655)	\$ (7,607)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	41	60
Non-cash stock-based compensation	649	1,243
Value of non-marketable equity securities recognized as revenue	(9)	
Fair value of common stock issued in exchange for patent and technology rights		228
Changes in operating assets and liabilities:		
Prepaid expenses and other assets	(10)	10
Accounts payable	(706)	(63)
Accrued expenses	302	441
Deferred revenue		(47)
<b>Net cash used in operating activities</b>	<b>(6,388)</b>	<b>(5,735)</b>
Cash flows from investing activities:		
Purchase of short-term investments	(2,000)	(8,000)
Maturities of short-term investments	5,500	
Cash paid for purchase of property and equipment	(2)	(39)
<b>Net cash provided by (used in) investing activities</b>	<b>3,498</b>	<b>(8,039)</b>
Cash flows from financing activities:		
Net proceeds from the issuance of common stock	152	9,266
Proceeds from the issuance of common stock upon the exercise of warrants		16
Proceeds from the issuance of common stock in connection with the employee stock purchase plan		31
<b>Net cash provided by financing activities</b>	<b>152</b>	<b>9,313</b>
Net decrease in cash and cash equivalents	(2,738)	(4,461)
Cash and cash equivalents at the beginning of period	5,117	8,496
Cash and cash equivalents at the end of period	\$ 2,379	\$ 4,035
<b>Supplemental disclosure of non-cash investing and financing activities:</b>		
Series A and Series A-1 convertible preferred stock dividends	\$	\$ 126



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Fair value of Series A and Series A-1 convertible preferred stock dividends	\$	\$ 209
Exchange of Series A convertible preferred stock into Series A-1 convertible preferred stock	\$	\$ 2,000
Conversion of Series A and Series A-1 convertible preferred stock into common stock	\$	\$ 6,814

The accompanying notes are an integral part of these financial statements.

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**RXi PHARMACEUTICALS CORPORATION**

**NOTES TO CONDENSED FINANCIAL STATEMENTS**

**(Unaudited)**

**1. Nature of Operations**

*Description of Business*

RXi Pharmaceuticals Corporation ( **RXi**, **we**, **our** or the **Company** ) is a clinical-stage RNAi company developing innovative therapeutics that address significant unmet medical needs. The Company's development programs are based on our proprietary self-delivering RNAi (sd-rxRNA<sup>®</sup>) platform and Samcyprone, a topical immunomodulator. Our clinical development programs include RXI-109, an sd-rxRNA for the treatment of dermal and ocular scarring, and Samcyprone, for the treatment of such disorders as warts, alopecia areata, non-malignant skin tumors and cutaneous metastases of melanoma. In addition to these clinical programs, we have a pipeline of discovery and preclinical product candidates in our core therapeutic areas, as well as in other areas of interest. The Company's pipeline, coupled with our extensive patent portfolio, provides for product and business development opportunities across a broad spectrum of therapeutic areas.

On April 14, 2016, the Board of Directors of the Company approved a 1-for-10 reverse stock split of the Company's outstanding common stock, which was effected on April 18, 2016. All share and per share amounts in the financial statements have been retroactively adjusted for all periods presented to give effect to the reverse stock split, including reclassifying an amount equal to the reduction in par value to additional paid-in capital.

**2. Liquidity and Going Concern**

The Company has limited cash resources, has reported recurring losses from operations since inception and has not yet received revenues from sales of products. These factors raise substantial doubt regarding the Company's ability to continue as a going concern, and the Company's current cash resources may not provide sufficient capital to fund operations for at least the next twelve months. Historically, the Company's primary source of financing has been through the sale of its securities. The continuation of the Company as a going concern depends upon the Company's ability to raise additional capital through an equity offering, debt offering or strategic opportunity to fund its operations. There can be no assurance that the Company will be successful in accomplishing these plans in order to continue as a going concern. These financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

**3. Significant Accounting Policies**

*Basis of Presentation*

The accompanying condensed financial statements are unaudited and have been prepared in accordance with accounting principles generally accepted in the United States of America ( **GAAP** ). Certain information and footnote disclosures included in the Company's annual financial statements have been condensed or omitted. The year-end condensed balance sheet data was derived from audited financial statements, but does not include all disclosures required by GAAP. In the opinion of management, all adjustments (including normal recurring accruals) considered necessary for a fair presentation of the condensed financial statements have been included. Interim results are not

necessarily indicative of results for a full year.

*Uses of Estimates in Preparation of Financial Statements*

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

*Cash Equivalents*

The Company considers all highly liquid instruments with an original maturity of three months or less to be cash equivalents. Cash equivalents consist primarily of amounts invested in certificates of deposit.

*Restricted Cash*

Restricted cash consists of certificates of deposit held by financial institutions as collateral for the Company's corporate credit cards.

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### *Short-term Investments*

Short-term investments consist of certificates of deposit with original maturities ranging from over three months to one year.

### *Investments in Non-marketable Equity Securities*

The Company's investments in non-marketable equity securities are accounted for under the cost method because the Company does not have the ability to exercise significant influence over the investee and the securities do not have readily determinable fair values. Our investments are carried at cost less any impairment write-downs. Annually, the Company's cost method investments are assessed for impairment. The Company does not reassess the fair value of cost method investments if there are no identified events or changes in circumstances that may have a significant adverse effect on the fair value of the investments.

### *Derivative Financial Instruments*

The Company follows the provisions of the Financial Accounting Standards Board ( **FASB** ) Accounting Standards Codification ( **ASC** ) Topic 815, *Derivatives and Hedging* ( **ASC 815** ). Financial instruments that meet the definition of a derivative are classified as an asset or liability and measured at fair value on the issuance date and are revalued on each subsequent balance sheet date. The changes in fair value are recognized as current period income or loss.

### *Revenue Recognition*

Revenue is recognized when there is persuasive evidence of an arrangement, the fee is fixed or determinable, delivery has occurred or services have been rendered and collection of the related receivable is reasonably assured. The Company may generate revenue from product sales, license agreements, collaborative research and development arrangements and government grants. Payments received prior to the recognition of revenue are recorded as deferred revenue.

The Company has entered into license agreements for its proprietary sd-rxRNA technology during the ordinary course of business with start-up biotechnology and pharmaceutical companies. Under these agreements, the Company has granted exclusive licenses to the Company's technology in exchange for potential future equity, cash and royalty payments. For each agreement, the Company determines whether the agreement includes multiple deliverables, and if so, whether they should be considered separate or a single unit of accounting and whether the delivered items have standalone value. The consideration received is allocated among the separate units of accounting, and the applicable revenue recognition guidance is applied to each of the separate units.

Upfront fees are recognized on a straight-line basis over the contracted or estimated period of performance if they do not have standalone value. If upfront fees are determined to have standalone value from other identified deliverables, the Company recognizes revenue upon delivery.

Substantive milestone payments are recognized upon achievement of the milestone. In evaluating whether a milestone has substance, the consideration earned from the achievement of a milestone is considered if the milestone is commensurate with the entity's performance to achieve the milestone or the enhancement of value of the delivered item, if it relates solely to past performance and if it is reasonable relative to all the deliverables and payment terms within the arrangement. When a substantive milestone is achieved, revenue related to the milestone will be recognized in full. If a milestone is not considered substantive, revenue is recognized over the period of performance.

If the Company is entitled to reimbursement or payments for specific research and development services, the Company determines whether the funding would result in collaborative revenues or an offset to research and development expenses in accordance with the provisions of gross or net revenue presentation.

*Research and Development Expenses*

Research and development costs are charged to expense as incurred and relate to salaries, employee benefits, facility-related expenses, supplies, stock-based compensation related to employees and non-employees involved in the Company's research and development, external services, other operating costs and overhead related to our research and development departments, costs to acquire technology licenses and expenses associated with preclinical activities and our clinical trials. Payments made by the Company in advance for research and development services not yet provided and/or for materials not yet received are recorded as prepaid expenses. Accrued liabilities are recorded related to those expenses for which vendors have not yet billed us with respect to services provided and/or materials that we have received.

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Preclinical and clinical trial expenses relate to third-party services, subject-related fees at the sites where our clinical trials are being conducted, laboratory costs, analysis costs, toxicology studies and investigator fees. Costs associated with these expenses are generally payable on the passage of time or when certain milestones are achieved. Expense is recorded during the period incurred or in the period in which a milestone is achieved. In order to ensure that we have adequately provided for preclinical and clinical expenses during the proper period, we maintain an accrual to cover these expenses. These accruals are assessed on a quarterly basis and are based on such assumptions as expected total cost, the number of subjects and clinical trial sites and length of the study. Actual results may differ from these estimates and could have a material impact on our reported results. Our historical accrual estimates have not been materially different from our actual costs.

*Stock-based Compensation*

The Company follows the provisions of the FASB ASC Topic 718, *Compensation – Stock Compensation (ASC 718)*, which requires the measurement and recognition of compensation expense for all stock-based payment awards made to employees, officers and non-employee directors, including stock options. Stock compensation expense based on the grant date fair value estimated in accordance with the provisions of ASC 718 is recognized as an expense over the requisite service period.

For stock options granted as consideration for services rendered by non-employees, the Company recognizes compensation expense in accordance with the requirements of FASB ASC Topic 505-50, *Equity Based Payments to Non-Employees*. Non-employee option grants that do not vest immediately upon grant are recorded as an expense over the requisite service period of the underlying stock options. At the end of each financial reporting period prior to vesting, the value of these options, as calculated using the Black-Scholes option-pricing model, will be re-measured using the fair value of the Company's common stock and the non-cash compensation recognized during the period will be adjusted accordingly. Since the fair market value of options granted to non-employees is subject to change in the future, the amount of the future compensation expense will include fair value re-measurements until the stock options are fully vested.

*Comprehensive Loss*

The Company's comprehensive loss is equal to its net loss for all periods presented.

*Net Loss per Share Attributable to Common Stockholders*

The Company accounts for and discloses net loss per share attributable to common stockholders in accordance with FASB ASC Topic 260, *Earnings per Share*. Basic and diluted net loss per common share is computed by dividing net loss attributable to common stockholders by the weighted average number of common shares outstanding. When the effects are not dilutive, diluted earnings per share is computed by dividing the Company's net earnings by the weighted average number of common shares outstanding and the impact of all dilutive potential common shares.

**4. Recent Accounting Pronouncements**

In February 2016, the FASB issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*, which requires companies that are lessees to recognize a right-of-use asset and lease liability for most leases that do not meet the definition of a short-term lease. For income statement purposes, leases will continue to be classified as either operating or financing. Classification will be based on criteria that are largely similar to those applied in current lease accounting. This standard will result in extensive qualitative and quantitative disclosure changes. This standard will be effective for annual reporting periods beginning after December 15, 2018, including interim periods within that

reporting period. The Company is currently evaluating the impact of this ASU on its financial position and results of operations.

In March 2016, the FASB issued ASU 2016-09, *Compensation - Stock Compensation (Topic 718)*, which simplifies several aspects of accounting for share-based payment transactions, including the income tax consequences, classifications of awards as either equity or liabilities and classification on the statement of cash flows. This standard will be effective for annual reporting periods beginning after December 15, 2016 and interim periods within that reporting period. Early adoption is permitted. The Company is currently evaluating the impact of this ASU on its financial statements and related disclosures.

In April 2016, the FASB issued ASU 2016-10, *Revenue from Contracts with Customers (Topic 606)*, which clarifies two aspects of the guidance on accounting for revenue contracts with customers: identifying performance obligations and the licensing implementation guidance. The amendments in this ASU do not change the core principles for those areas. This standard will be effective for annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period. Early adoption is not permitted. The Company is currently evaluating the potential impact the update may have on its financial position and results of operations.

In August 2016, the FASB issued ASU 2016-12, *Statement of Cash Flows (Topic 230)*, which clarifies how certain cash receipts and payments are presented and classified in the statement of cash flows. This standard will be effective for annual reporting

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periods beginning after December 15, 2017, including interim periods within that reporting period. Early adoption is permitted. The amendments in ASU 2016-12 should be applied using a retrospective transition method to each period presented. The Company is currently evaluating the potential impact the update may have on its statement of cash flows.

**5. Other Assets**

In May 2016, the Company entered into an exclusive license agreement with Thera Neuropharma, Inc. ( **Thera** ), a privately held company, pursuant to which the Company granted certain rights to its sd-rxRNA platform for neurodegenerative diseases in exchange for an upfront equity ownership interest and the potential to receive future cash, additional equity and royalties based on the achievement of certain milestones. The Company was issued shares of common stock in Thera upon execution of the license agreement. Due to the Company's inability to exercise significant influence over Thera and the Company owning less than 20% of the voting equity of Thera's stock, the Company accounted for this investment using the cost method. As of September 30, 2016, the carrying value of the investment in Thera of \$4,500 was included in other assets on the balance sheet and no impairment has been recognized for this investment through September 30, 2016.

The Company was also granted a five year warrant to purchase additional shares of common stock of Thera at a price of \$0.001 per share of common stock (the **Thera Warrant** ) pursuant to the terms of the license agreement. The Company first assessed the Thera Warrant under ASC 815. Under the related guidance, a financial instrument shall be considered a derivative when it includes an underlying and notional amount or payment provision, an initial net investment and a net settlement. The Company determined that the Thera Warrant met all of the characteristics of a derivative. Per ASC 815, the Thera Warrant is recognized at fair value on the balance sheet and gains and losses from changes in the fair value of the Thera Warrant are recognized in the statement of operations. The fair value of the Thera Warrant at the date of issuance totaled \$4,500 and was included in other assets on the balance sheet. There have been no changes to the fair value since the date of issuance.

**6. Fair Value Measurements**

The Company follows the provisions of FASB ASC Topic 820, *Fair Value Measurements and Disclosures*, for the Company's financial assets and liabilities that are re-measured and reported at fair value at each reporting period and are re-measured and reported at fair value at least annually using a fair value hierarchy that is broken down into three levels. Level inputs are defined as follows:

Level 1 quoted prices in active markets for identical assets or liabilities.

Level 2 other significant observable inputs for the assets or liabilities through corroboration with market data at the measurement date.

Level 3 significant unobservable inputs that reflect management's best estimate of what market participants would use to price the assets or liabilities at the measurement date.

The Company categorized its restricted cash, cash equivalents and short-term investments as Level 2 hierarchy. The assets classified as Level 2 have initially been valued at the applicable transaction price and subsequently valued, at the end of each reporting period, using other market observable data. Observable market data points include quoted prices, interest rates, reportable trades and other industry and economic events. The Company's Thera Warrant is categorized as Level 3 hierarchy. The estimated fair value inputs utilizing the asset-based approach include the stage of enterprise development, terms of existing contractual arrangements of the entity's equity securities, the achievement



of milestones and other unobservable inputs. Financial assets measured at fair value on a recurring basis are summarized as follows, in thousands:

Description	At September 30, 2016	Quoted Prices in		
		Active Markets (Level 1)	Other Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Assets:</b>				
Restricted cash	\$ 50	\$	\$ 50	\$
Short-term investments	2,000		2,000	
Thera Warrant	5			5
<b>Total</b>	<b>\$ 2,055</b>	<b>\$</b>	<b>\$ 2,050</b>	<b>\$ 5</b>

Description	At December 31, 2015	Quoted Prices in		
		Active Markets (Level 1)	Other Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Assets:</b>				
Restricted cash	\$ 50	\$	\$ 50	\$
Cash equivalents	2,500		2,500	
Short-term investments	5,500		5,500	
<b>Total</b>	<b>\$ 8,050</b>	<b>\$</b>	<b>\$ 8,050</b>	<b>\$</b>

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The following table presents additional information about assets measured at fair value on a recurring basis and for which the Company utilizes Level 3 inputs to determine fair value, in thousands:

	<b>Nine Months Ended September 30, 2016</b>
Balance, beginning of period	\$
Fair value of Thera Warrant	5
Balance, end of period	\$ 5

*Fair Value of Financial Instruments*

The carrying amounts reported in the balance sheet for restricted cash, cash equivalents, short-term investments, accounts payable and accrued expenses approximate their fair values due to their short-term nature.

**7. Stockholders Equity**

The Company currently has authorized for issuance 100,000,000 shares of common stock, par value \$0.0001 per share, and 10,000,000 shares of preferred stock, par value \$0.0001 per share.

*Common Stock*

On April 14, 2016, the Board of Directors of the Company approved a 1-for-10 reverse stock split of the Company's outstanding common stock, which was effected on April 18, 2016. The number of authorized shares of the Company remain unchanged. Stockholders who would have otherwise been entitled to fractional shares as a result of the reverse stock split received a cash payment in lieu of receiving fractional shares. Shares of common stock underlying outstanding stock options and other equity instruments were proportionately reduced and the respective exercise prices, if applicable, were proportionately increased in accordance with the terms of the agreements governing such securities. All share and per share amounts in the financial statements have been retroactively adjusted for all periods presented to give effect to the reverse stock split, including reclassifying an amount equal to the reduction in par value to additional paid-in capital. Following the implementation of the reverse stock split, the Company regained compliance with the minimum bid price requirement set forth in Nasdaq Listing Rule 5550(a)(2) for continued listing on The Nasdaq Capital Market.

During the three months ended September 30, 2016, the Company sold 65,000 shares of common stock to Lincoln Park Capital Fund, LLC ( **LPC** ) pursuant to a purchase agreement dated December 18, 2014 between the Company and LPC. The net proceeds to the Company totaled approximately \$152,000.

*Common Stock Warrants*

The following table summarizes the Company's warrants outstanding at September 30, 2016:

<b>Exercise prices</b>	<b>Number of Shares Underlying Warrants</b>	<b>Expiration</b>
\$39.00	462	April 27, 2017
\$5.20	1,300,002	June 2, 2020
<b>Total warrants outstanding</b>	<b>1,300,464</b>	

On July 2, 2016, 1,256,502 of the Company's outstanding warrants with an exercise price of \$4.55 expired.

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The Company uses the Black-Scholes option-pricing model to determine the fair value of all its option grants. For valuing options granted during the three and nine months ended September 30, 2016 and 2015, the following assumptions were used:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,				
	2016	2015	2016	2015			
Risk-free interest rate	1.46%	1.82	2.43%	1.18	2.02%	1.47	2.43%
Expected volatility	116.88%	85.29	116.81%	79.42	116.88%	85.29	116.81%
Weighted average expected volatility	116.88%	107.49%		89.12%		89.43%	
Expected lives (in years)	10.00	6.25	10.0	5.20	10.00	5.20	10.0
Expected dividend yield	0.00%	0.00%		0.00%		0.00%	

The weighted average fair value of options granted during the three month periods ended September 30, 2016 and 2015 was \$2.27 and \$4.40, respectively. The weighted average fair value of options granted during the nine month periods ended September 30, 2016 and 2015 was \$2.15 and \$4.10, respectively.

The risk-free interest rate used for each grant was based upon the yield on zero-coupon U.S. Treasury securities with a term similar to the expected life of the related option. The Company's expected stock price volatility assumption is based upon the volatility of a composition of comparable companies. The expected life assumption for employee grants was based upon the simplified method provided for under ASC 718, and the expected life assumption for non-employees was based upon the contractual term of the option. The dividend yield assumption of zero is based upon the fact that the Company has never paid cash dividends and presently has no intention of paying cash dividends.

The following table summarizes the activity of Company's stock option plan:

	Total Number of Shares	Weighted- Average Exercise Price Per Share	Aggregate Intrinsic Value
Balance at December 31, 2015	332,400	\$ 30.50	
Granted	58,569	2.91	
Exercised			
Cancelled			
Balance at September 30, 2016	390,969	\$ 26.38	\$
Exercisable at September 30, 2016	298,347	\$ 31.18	\$

Stock-based compensation expense for the three months ended September 30, 2016 and 2015 was \$128,000 and \$385,000, respectively. Of this amount, the Company recognized non-employee stock-based compensation expense of

\$1,000 and \$3,100 for the same respective periods.

Stock-based compensation expense for the nine months ended September 30, 2016 and 2015 was \$649,000 and \$1,243,000, respectively. Of this amount, the Company recognized non-employee stock-based compensation expense of \$3,200 and a credit to non-employee stock-based compensation expense of \$18,700 for the same respective periods.

## 9. Net Loss per Share Attributable to Common Stockholders

The following table sets forth the potential common shares excluded from the calculation of net loss per common share attributable to common stockholders because their inclusion would be anti-dilutive:

	<b>September 30,</b>	
	<b>2016</b>	<b>2015</b>
Options to purchase common stock	390,969	330,876
Warrants to purchase common stock	1,300,464	2,596,966
<b>Total</b>	<b>1,691,433</b>	<b>2,927,842</b>

## 10. Subsequent Events

On October 7, 2016, the Company entered into an exclusive option agreement to acquire all outstanding capital stock of MirImmune, Inc. ( **MirImmune** ) in consideration for a number of shares equal to 19.99% of the then-outstanding shares of common stock of the Company, plus additional potential consideration contingent on MirImmune reaching certain milestones. RXi can exercise the option to acquire MirImmune on the terms set forth in the option agreement at any time prior to April 5, 2017, but has no obligation to do so. For accounting purposes, if the option is exercised, the transaction will be accounted for as an asset acquisition per the guidance in FASB ASC Topic 805, *Business Combinations*.

**Table of Contents****ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

*In this document, we, our, ours, us, RXi and the Company refer to RXi Pharmaceuticals Corporation.*

*This management's discussion and analysis of financial condition as of September 30, 2016 and results of operations for the three and nine months ended September 30, 2016 and 2015 should be read in conjunction with the financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2015 which was filed with the SEC on March 30, 2016.*

*This report contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements can be identified by words such as intends, believes, anticipates, indicates, plans, expects, suggests, may, should, potential, designed to, will and similar references. Such statements include, but are not limited to, statements about: our ability to successfully develop RXI-109, Samcyprone and our other product candidates (collectively our product candidates); the future success of our clinical trials with our product candidates; the timing for the commencement and completion of clinical trials; the future success of our strategic partnerships; and our ability to implement cost-saving measures. Forward-looking statements are neither historical facts nor assurances of future performance. These statements are based only on our current beliefs, expectations and assumptions regarding the future of our business, future plans and strategies, projections, anticipated events and trends, the economy and other future conditions. Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict and many of which are outside of our control. Our actual results and financial condition may differ materially from those indicated in the forward-looking statements. Therefore, you should not rely on any of these forward-looking statements. Important factors that could cause our actual results and financial condition to differ materially from those indicated in the forward-looking statements include, among others: the risk that our clinical trials with our product candidates may not be successful in evaluating the safety and tolerability of these candidates or providing evidence of increased surgical scar reduction compared to placebo; the successful and timely completion of clinical trials; uncertainties regarding the regulatory process; risks that the potential acquisition of MirImmune, Inc. may not proceed; risks related to our ability to control the timing of the purchase of MirImmune, Inc.; the availability of funds and resources to pursue our research and development projects, including our clinical trials with our product candidates; general economic conditions; and those identified in our Annual Report on Form 10-K for the year ended December 31, 2015 under the heading Risk Factors and in other filings the Company periodically makes with the Securities and Exchange Commission. Forward-looking statements contained in this Quarterly Report on Form 10-Q speak as of the date hereof and the Company does not undertake to update any of these forward-looking statements to reflect a change in its views or events or circumstances that occur after the date of this report.*

**Overview**

RXi Pharmaceuticals Corporation ( **RXi**, **we**, **our** or the **Company** ) is a clinical-stage RNAi company developing innovative therapeutics that address significant unmet medical needs. The Company's development programs are based on our proprietary self-delivering RNAi (sd-rxRNA<sup>®</sup>) platform and Samcyprone, a topical immunomodulator. Our clinical development programs include RXI-109, an sd-rxRNA for the treatment of dermal and ocular scarring, and Samcyprone, for the treatment of such disorders as warts, alopecia areata, non-malignant skin tumors and cutaneous metastases of melanoma. In addition to these clinical programs, we have a pipeline of discovery and preclinical product candidates in our core therapeutic areas, as well as in other areas of interest. The Company's pipeline, coupled with our extensive patent portfolio, provides for product and business development opportunities across a broad spectrum of therapeutic areas.

RNAi therapies are designed to silence, or down-regulate, the expression of a specific gene that may be over-expressed in a disease condition. The Company's first RNAi clinical product candidate, RXI-109, is a self-delivering RNAi compound (sd-rxRNA) that commenced human clinical trials in 2012. RXI-109 is designed to reduce the expression of connective tissue growth factor ( **CTGF** ), a critical regulator of several biological pathways involved in fibrosis, including scar formation in the skin and eye. RXI-109 is currently being evaluated in a Phase 2 clinical trial, Study 1402, to prevent or reduce dermal scarring following scar revision surgery of an existing hypertrophic scar and a Phase 1/2 clinical trial, Study 1501, to evaluate the safety and clinical activity of RXI-109 to prevent the progression of retinal scarring in subjects with wet age-related macular degeneration ( **AMD** ).

Study 1402 commenced in July 2014. In October 2015, we reported that preliminary data from Study 1402 demonstrated that scars at revision sites were less visible at three months after a treatment regimen with intradermal administration of RXI-109 than scars at untreated revision sites in those same subjects. Based in part on this new information, two more cohorts were added to Study 1402 in November 2015. For these two cohorts, the number of doses was increased to either eight or nine doses of RXI-109 over a six-month period to better cover the extended wound healing/scarring profile of hypertrophic scars. Enrollment of subjects into these two new cohorts was completed ahead of schedule during the third quarter of 2016.

Study 1501 commenced in November 2015, and is a multi-dose, dose escalation study conducted in subjects with AMD with evidence of subretinal fibrosis. Each subject will receive four doses of RXI-109 by intraocular injection at one month intervals for a total dosing period of three months. The safety and tolerability of RXI-109, as well as the potential for clinical activity, will be evaluated over the course of the study using numerous assessments to monitor the health in the retina and to assess visual acuity. The Company is currently enrolling subjects in Study 1501.

In December 2014, the Company broadened its clinical pipeline with an exclusive, global license to Samcyprone , our second clinical candidate. Samcyprone is a proprietary topical formulation of the small molecule diphenylcyclopropanone ( **DPCP** ), an immunomodulator

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that works by initiating a T-cell response. The use of Samcyprone allows sensitization using much lower concentrations of DPCP than are used with existing compounded DPCP solutions, avoiding hyper-sensitization to subsequent challenge doses. DPCP, the active ingredient in Samcyprone, has long been used to treat warts and has also been used for several other indications, such as to stimulate hair re-growth in alopecia areata and to clear cutaneous metastases of melanoma. Although it has been used by physicians for several decades, it has never been reviewed or approved by a regulatory authority as a drug. If U.S. Food and Drug Administration approval is granted, Samcyprone, RXi's proprietary formulation of DPCP, is expected to achieve market exclusivity. Samcyprone is currently being evaluated in a Phase 2a clinical trial, Study 1502, for the clearance of common warts.

Study 1502 was initiated in December 2015. Study 1502 includes a sensitization phase in which a spot on the subject's upper arm and one wart are treated with Samcyprone. After being sensitized in this way, the subjects will enter into the treatment phase where up to four warts are treated on a once weekly basis for ten weeks with a ten-fold lower concentration of Samcyprone than in the sensitization phase. During the trial, the warts are scored, photographed and measured to monitor the level of clearance. The Company is currently enrolling subjects and is adding a second cohort to explore the opportunity to reduce the sensitization dose level and potentially reduce the treatment length. With this second cohort, enrollment is expected to be completed in the first quarter of 2017.

The Company continues to advance additional preclinical and discovery programs using our sd-rxRNA technology. Within our ophthalmology program, we are also directing our development efforts toward advancing RXI-109 for the treatment of corneal scarring. To date, we have shown that CTGF protein levels are reduced in a dose-dependent manner in both the retina and cornea following an intravitreal injection of RXI-109 in monkeys. Elevated CTGF is implicated in the formation of corneal scarring that can occur after eye injury or after certain infections. Scarring of the cornea can impact the transparency of the cornea, and thus negatively impact vision. We are currently working towards a non-invasive delivery formulation of RXI-109 to reduce CTGF in the front of the eye.

Within our dermatology franchise, the Company has selected tyrosinase ( **TYR** ) and collagenase ( **MMP1** ) as targets for our self-delivering RNAi platform because they are relevant for both consumer health and therapeutic development. TYR is a key enzyme involved in the synthesis of melanin. RXI-231, an sd-rxRNA compound targeting TYR, is in development as a cosmetic ingredient that may improve the appearance of uneven skin tone and pigmentation. MMP1 is a key enzyme involved in the breakdown of the extracellular matrix. RXI-185, an sd-rxRNA compound targeting MMP1, is in development as a cosmetic ingredient that may improve the appearance of wrinkles or skin laxity. The Company is currently developing topical delivery application methods, including formulations and microneedling, for use with these compounds and completed functional and safety testing to support the initiation of human testing of one of these consumer health targets.

Further, the Company has identified additional sd-rxRNA compounds like RXI-231 and RXI-185 that are available to move forward on a separate therapeutic development path. For example, selected reduction of MMP1 may be beneficial in the treatment of arthritis, corneal erosions, endometriosis and possible cancer metastasis and the inhibition of tyrosinase can play a key role in the management of diseases such as cutaneous hyperpigmentation disorders and possibly melanoma.

On April 14, 2016, the Board of Directors of the Company approved a 1-for-10 reverse stock split of the Company's outstanding common stock, which was effected on April 18, 2016. The number of authorized shares of the Company remain unchanged. Stockholders who would have otherwise been entitled to fractional shares as a result of the reverse stock split received a cash payment in lieu of receiving fractional shares. Shares of common stock underlying outstanding stock options and other equity instruments were proportionately reduced and the respective exercise prices, if applicable, were proportionately increased in accordance with the terms of the agreements governing such securities. All share and per share amounts in the financial statements have been retroactively adjusted for all periods



presented to give effect to the reverse stock split, including reclassifying an amount equal to the reduction in par value to additional paid-in capital.

Since inception, we have incurred significant losses. Substantially all of our losses to date have resulted from research and development expenses in connection with our clinical and research programs and from general administrative costs. At September 30, 2016, we had an accumulated deficit of \$63.8 million. We expect to continue to incur significant losses for the foreseeable future, particularly as we advance our development programs for RXI-109 and Samcyprone .

### **Critical Accounting Policies and Estimates**

There have been no significant changes to our critical accounting policies since the beginning of this fiscal year. Our critical accounting policies are described in the Management's Discussion and Analysis of Financial Condition and Results of Operations section of our Annual Report on Form 10-K for the year ended December 31, 2015, which we filed with the SEC on March 30, 2016.

**Table of Contents****Results of Operations**

The following data summarizes the results of our operations for the periods indicated, in thousands:

	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>September 30,</b>		<b>September 30,</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
Net revenues	\$	\$	\$ 19	\$ 34
Operating expenses	(2,216)	(2,504)	(6,695)	(7,649)
Operating loss	(2,216)	(2,504)	(6,676)	(7,615)
Net loss	(2,212)	(2,496)	(6,655)	(7,607)
Net loss applicable to common stockholders	\$(2,212)	\$(2,496)	\$(6,655)	\$(7,816)

**Comparison of the Three and Nine Months Ended September 30, 2016 and 2015*****Net Revenues***

To date, we have primarily generated revenues through government grants. The following table summarizes our total net revenues, for the periods indicated, in thousands:

	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>September 30,</b>		<b>September 30,</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
Net revenues	\$	\$	\$ 19	\$ 34

There were no net revenues for the three months ended September 30, 2016 and September 30, 2015.

Net revenues were approximately \$19,000 for the nine months ended September 30, 2016, as compared with \$34,000 for the nine months ended September 30, 2015. The decrease of \$15,000, or 44%, was due to the completion of a government grant from the National Cancer Institute, a division of the National Institutes of Health, in 2015. Net revenues for the nine months ended September 30, 2016 were due to the Company's exclusive license agreements with MirImmune, Inc. and Thera Neuropharma, Inc.

***Operating Expenses***

The following table summarizes our total operating expenses, for the periods indicated, in thousands:

	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>September 30,</b>		<b>September 30,</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
Research and development	\$ 1,464	\$ 1,734	\$ 4,108	\$ 5,202
General and administrative	752	770	2,587	2,447

Total operating expenses	\$ 2,216	\$ 2,504	\$ 6,695	\$ 7,649
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### Research and Development Expenses

Research and development expenses consist of compensation-related costs for our employees dedicated to research and development activities, fees related to our Scientific Advisory Board members, expenses related to our ongoing research and development efforts primarily related to our clinical trials, drug manufacturing, outside contract services, licensing and patent fees and laboratory supplies and services for our research programs. We expect research and development expenses to increase as we expand our discovery, preclinical and clinical activities.

Research and development expenses were \$1,464,000 for the three months ended September 30, 2016, compared with \$1,734,000 for the three months ended September 30, 2015. The decrease of \$270,000, or 16%, was primarily due to a decrease of \$148,000 in research and development expenses, primarily due to manufacturing expenses for the RXI-109 drug product completed in the second half of 2015, offset by manufacturing and clinical trial-related costs for Samcyprone, and a decrease of \$122,000 in stock-based compensation expense due to the full vesting of stock options granted in 2012.

Research and development expenses were \$4,108,000 for the nine months ended September 30, 2016, compared with \$5,202,000 for the nine months ended September 30, 2015. The decrease of \$1,094,000, or 21%, was primarily due to a decrease of \$754,000 in research and development expenses related to the cash and equity fees payable to Hapten Pharmaceuticals, LLC upon the close of the Samcyprone license agreement, toxicology studies performed in connection with the Company's investigational drug application for retinal scarring, both of which occurred in the first quarter of 2015, and manufacturing expenses for the RXI-109 drug product completed in the second half of 2015, offset by manufacturing and clinical trial-related costs for Samcyprone. An additional decrease of \$340,000 in stock-based compensation expense was due to the full vesting of stock options granted in 2012.

**Table of Contents****General and Administrative Expenses**

General and administrative expenses consist primarily of compensation-related costs for our employees dedicated to general and administrative activities, legal fees, audit and tax fees, consultants, professional services and general corporate expenses.

General and administrative expenses were \$752,000 for the three months ended September 30, 2016, compared with \$770,000 for the three months ended September 30, 2015. The decrease of \$18,000, or 2%, was due to a decrease of \$135,000 in stock-based compensation expense due to the full vesting of stock options granted in 2012, offset by an increase of \$117,000 in general and administrative expenses primarily related to the use of outside professional services due to the Company's increase in business development activities in line with its key corporate initiatives.

General and administrative expenses were \$2,587,000 for the nine months ended September 30, 2016, compared with \$2,447,000 for the nine months ended September 30, 2015. The increase of \$140,000, or 6%, was primarily due to an increase of \$394,000 in general and administrative expenses driven by the Company's use of outside professional services due to the Company's focus on business development activities in line with its key corporate initiatives and an increase in professional service fees primarily related to the Company's special meeting and reverse stock split in April 2016, offset by a decrease of \$254,000 in stock-based compensation expense due to the full vesting of stock options granted in 2012.

***Series A and Series A-1 Convertible Preferred Stock Dividends***

The following table summarizes our total Series A and Series A-1 convertible preferred stock ( **Series A and Series A-1 Preferred Stock** ) dividends for the periods indicated, in thousands:

	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>September 30,</b>		<b>September 30,</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
Series A and Series A-1 Preferred Stock dividends	\$	\$	\$	\$ 209

On May 27, 2015, all shares of Series A and Series A-1 Preferred Stock were fully converted, with no shares remaining outstanding. Consequently, the Company has not paid any dividends on the Series A and Series A-1 Preferred Stock since the second quarter of 2015. Additionally, on November 6, 2015, the Company eliminated both series of preferred stock from its Certificate of Incorporation. As a result, the Company does not have any shares of Series A and Series A-1 Preferred Stock authorized, issued or outstanding.

**Liquidity and Capital Resources**

On June 2, 2015, we sold 2.6 million units in a public offering at a price of \$4.00 per unit (the **Offering** ). Each unit consists of one share of common stock, a 13-month over-allotment purchase right to purchase one-half of one share of common stock at a price of \$4.55 per full share of common stock (the **Over-allotment Purchase Rights** ) and a five-year warrant to purchase one-half of one share of common stock at a price of \$5.20 per full share of common stock (the **Warrants** ). As a result of the Offering, the Company received net proceeds of approximately \$9.2 million after placement agent fees and Offering expenses, and assuming the Over-allotment Purchase Rights and Warrants are not exercised.

Overallotment Purchase rights totaling 1,300,002 were issued in connection with the Offering. During the year ended December 31, 2015, 43,500 Overallotment Purchase Rights were exercised for gross proceeds of \$198,000. The Company's remaining outstanding Overallotment Purchase Rights of 1,256,502 expired on July 2, 2016 and were not exercised. As of September 30, 2016, 1,300,002 Warrants were issued and outstanding.

On December 18, 2014, the Company entered into a purchase agreement (the **Purchase Agreement**) with Lincoln Park Capital Fund, LLC ( **LPC** ), pursuant to which the Company has the right to sell to LPC up to \$10.8 million in shares of the Company's common stock, subject to certain limitations and conditions set forth in the Purchase Agreement. To date, the Company has sold a total of 70,000 shares of common stock to LPC for net proceeds of approximately \$216,000.

We had cash, cash equivalents and short-term investments of \$4.4 million as of September 30, 2016, compared with \$10.6 million as of December 31, 2015. Based on the Company's operational spending rate to advance our clinical products through clinical trials, the Company's current cash resources may not provide sufficient capital to fund operations for at least the next twelve months. The Company hopes to obtain additional funding through one or more of several options including strategic opportunities, such as a merger, acquisition or other business development transaction, and/or through sales of the Company's securities, which could be dilutive to our shareholders. There can be no assurance that the Company will be successful in accomplishing these plans in order to continue as a going concern.

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

	<b>Nine Months Ended</b>	
	<b>September 30,</b>	
	<b>2016</b>	<b>2015</b>
Net cash used in operating activities	\$ (6,388)	\$ (5,735)
Net cash provided by (used in) investing activities	3,498	(8,039)
Net cash provided by financing activities	152	9,313
Net decrease in cash and cash equivalents	\$ (2,738)	\$ (4,461)

***Net Cash Flow from Operating Activities***

Net cash used in operating activities was \$6,388,000 for the nine months ended September 30, 2016 compared with \$5,735,000 for the nine months ended September 30, 2015. The increase in cash used in operating activities was due to changes in working capital items of \$755,000, primarily due to payments related to the manufacturing of RXI-109 and Samcyprone drug product during the first quarter of 2016, and changes in non-cash expenses of \$850,000 partially offset by a decrease in net loss of \$952,000.

***Net Cash Flow from Investing Activities***

Net cash provided by investing activities was \$3,498,000 for the nine months ended September 30, 2016 compared with net cash used in investing activities of \$8,039,000 for the nine months ended September 30, 2015. The increase in net cash provided by investing activities was primarily related to net purchases and maturities of short-term investments as compared with the same period in the prior year.

***Net Cash Flow from Financing Activities***

Net cash provided by financing activities was \$152,000 for the nine months ended September 30, 2016 compared with \$9,313,000 for the nine months ended September 30, 2015. Net cash provided by financing activities in 2016 was due to net proceeds from the issuance of common stock to LPC under the Purchase Agreement. Net cash provided by financing activities in 2015 was primarily due to net proceeds received from the Offering and the issuance of common stock to LPC under the Purchase Agreement.

**Off-Balance Sheet Arrangements**

In connection with certain license agreements, we are required to indemnify the licensor for certain damages arising in connection with the intellectual property rights licensed under the agreement. In addition, we are a party to a number of agreements entered into in the ordinary course of business that contain typical provisions that obligate us to indemnify the other parties to such agreements upon the occurrence of certain events. These indemnification obligations are considered off-balance sheet arrangements in accordance with ASC Topic 460, *Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others*. To date, we have not encountered material costs as a result of such obligations and have not accrued any liabilities related to such obligations in our financial statements. See Note 6 to our financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2015, which was filed with the SEC on March 30, 2016, for further discussion of these indemnification agreements.

**ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

Not applicable.

**ITEM 4. CONTROLS AND PROCEDURES**

**Disclosure Controls and Procedures**

As of the end of the period covered by this quarterly report on Form 10-Q, Dr. Geert Cauwenbergh, our Chief Executive Officer and acting Chief Financial Officer (the **Certifying Officer**), evaluated the effectiveness of our disclosure controls and procedures. Disclosure controls and procedures are controls and procedures designed to reasonably assure that information required to be disclosed in our reports filed under the Securities Exchange Act of 1934 (the **Exchange Act**), such as this Form 10-Q, is recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms. Disclosure controls and procedures are also designed to reasonably assure that such information is accumulated and communicated to our management, including the Certifying Officer, as appropriate to allow timely decisions regarding required disclosure. Based on these evaluations, the Certifying Officer has concluded, that, as of the end of the period covered by this quarterly report on Form 10-Q:

- (a) Our disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed by us in the reports we file or submit under the Exchange Act was recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms; and
- (b) Our disclosure controls and procedures were effective to provide reasonable assurance that material information required to be disclosed by us in the reports we file or submit under the Exchange Act was accumulated and communicated to our management, including the Certifying Officer, as appropriate to allow timely decisions regarding required disclosure.

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**Changes in Internal Control over Financial Reporting**

There has not been any change in our internal control over financial reporting that occurred during the quarterly period ended September 30, 2016 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

**PART II OTHER INFORMATION**

**ITEM 1. LEGAL PROCEEDINGS**

None.

**ITEM 1A. RISK FACTORS**

*You should consider the Risk Factors included under Item 1A. of our Annual Report on Form 10-K for the year ended December 31, 2015 filed with the SEC on March 30, 2016.*

Following the implementation of the reverse stock split, the Company regained compliance with the minimum bid price requirement set forth in Nasdaq Listing Rule 5550(a)(2) for continued listing on The Nasdaq Capital Market.

*We may decide not to exercise our option to acquire MirImmune Inc., and if we do acquire MirImmune Inc., the acquisition may be unsuccessful and could dilute stockholders' ownership interest in the Company.*

On October 7, 2016, we entered into an exclusive option agreement pursuant to which the Company has the exclusive option, but not the obligation, to purchase 100% of the outstanding capital stock of MirImmune Inc. ( **MirImmune** ) at any time prior to April 5, 2017, for 19.99% of the then-outstanding shares of common stock of the Company plus additional potential consideration contingent on MirImmune achieving certain milestones. As part of our business strategy, we may decide to exercise this option to acquire MirImmune. If we exercise this option, we may not be able to integrate the acquisition successfully into our existing business or may not realize the anticipated benefits from the acquisition. To finance the acquisition, we would issue shares of our common stock as consideration, which would dilute then-current stockholders' ownership interests in the Company. The ownership interests of then-current stockholders in the Company could be further diluted, should MirImmune achieve certain milestones and receive additional shares of our common stock. Alternatively, we may decide not to exercise this option to acquire MirImmune.

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

None.

**ITEM 3. DEFAULTS UPON SENIOR SECURITIES**

None.



**ITEM 4. MINE SAFETY DISCLOSURES**

Not applicable.

**ITEM 5. OTHER INFORMATION**

None.

**Table of Contents****ITEM 6. EXHIBITS****EXHIBIT INDEX**

		<b>Incorporated by Reference Herein</b>	
<b>Exhibit</b>			
<b>Number</b>	<b>Description</b>	<b>Form</b>	<b>Date</b>
31.1	Sarbanes-Oxley Act Section 302 Certification of Chief Executive Officer and Chief Financial Officer.*		
32.1	Sarbanes-Oxley Act Section 906 Certification of Chief Executive Officer and Chief Financial Officer.*		
101	The following financial information from the Quarterly Report on Form 10-Q of RXi Pharmaceuticals Corporation for the quarter ended September 30, 2016, formatted in XBRL (eXtensible Business Reporting Language): (1) Condensed Balance Sheets as of September 30, 2016 and December 31, 2015; (2) Condensed Statements of Operations for the Three and Nine Months Ended September 30, 2016 and 2015; (3) Condensed Statements of Cash Flows for the Nine Months Ended September 30, 2016 and 2015; and (4) Notes to Condensed Financial Statements (Unaudited).*		

\* Filed herewith.

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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.

RXi Pharmaceuticals Corporation

By: /s/ Geert Cauwenbergh  
Geert Cauwenbergh, Dr. Med. Sc.  
President, Chief Executive Officer and  
acting Chief Financial Officer

Date: November 10, 2016