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RXII - Q1 2017 Rxi Pharmaceuticals Corp Earnings Call

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Justin Foster *- Private Investor*

Lawrence Chase *- Private Investor*

PRESENTATION

Operator

Good day, ladies and gentlemen, and welcome to today's webcast entitled RXi Pharmaceuticals First Quarter 2017 Financial Results Earnings Call. Today's call is being recorded.

At this time, it is my pleasure to turn the floor over to your host, Tamara McGrillen, Head of Investor Relations for RXi. Ma'am, the floor is yours.

Tamara McGrillen *- RXi Pharmaceuticals Corporation - Director of Operations, Investor and Public Relations*

Thank you, operator. Good afternoon, ladies and gentlemen, and thank you for participating on our call today. We are joined by our President and CEO, Dr. Geert Cauwenbergh; our Chief Development Officer, Dr. Pamela Pavco; our Chief Business Officer, Dr. Alexey Eliseev; and our newly appointed Chief Development Officer, Dr. Gerrit Dispersyn; and our Principal Accounting Officer, Ms. Caitlin Kontulis.

I would like to remind listeners that this call will contain certain statements concerning RXi's future expectations, plans, and processes, which constitute forward-looking statements for the purposes of the Safe Harbor provisions under the Private Securities Litigation Reform Act of 1995. Actual results may differ materially from those indicated by these forward-looking statements and as a result of various important factors including those discussed in our most recent Form 10-Q filed with the SEC. In addition, any forward-looking statements represent our views only as of the date of this recording and shall not be relied upon as representing our views as of any subsequent date. We specifically disclaim any obligations to update such statements.

Now, I would like to turn the call over to our President and CEO, Dr. Cauwenbergh.

Geert Cauwenbergh *- RXi Pharmaceuticals Corporation - President and CEO*

Thank you, Tammie, and good afternoon, everybody. Like in many past quarters we have, again, been able to manage our spending in line with our forecast. With our current cash, we have a financial runway until the second quarter of 2018. We recently published our proxy for the annual general meeting which will happen on Tuesday, June 6, in New York, and you are all invited.

You would have noticed that we included in the proxy a proposal to allow our Board of Directors to decide on a reverse split if that would be deemed necessary for the optimal positioning of our company in the public markets. It should be very clear, that it is the intention of the Board and the management of the company to avoid this eventuality, and that we feel that the data generation that lies ahead of us in the remainder of this year is expected to allow us to see a share price appreciation that should avoid such a reverse split. Ms. Caitlin Kontulis will provide more color and background explaining what the NASDAQ rules are, and she will provide guidance as to what the sequence of events is that determines the timing of a decision of such an action.

From a corporate development point of view, during the first quarter of 2017, we completed the MirImmune acquisition, and have been able to integrate most of their immuno-oncology and cell therapy activities in our R&D planning and timing. Dr. Alexey Eliseev, our Chief Business Officer, will provide more color as it relates to our plans for data generation as well as collaborations and partnerships. He will talk about pre-clinical data in support of our immuno-oncology activities including the preparation of our first clinical testing likely to occur as part of the cell therapy protocol in the course of 2018.

In the past few years, under the leadership of Dr. Pam Pavco, our Chief Development Officer, we had initiated clinical developments for RXI-109 for treatment of hypertrophic scars, where we are in Phase 2, as well as for the management of retinal scarring in patients with wet AMD where we are in Phase 1/2. In addition after the acquisition of Samcyprone, Dr. Pavco also supervised the continued development of this new topical immunotherapy, a program where we are now also in Phase 2 for treatment of cutaneous warts. She has also been guiding our clinical team in the start-up of our human testing of our consumer health compound, RXI-231 and sd-rxRNA, that is capable of blocking tyrosinase, an enzyme that is key in eumelanogenesis, which stands for pigmentation.

From a news flow point of view, it is important to note that the ongoing clinical studies will all have their complete readouts before the end of 2017. Dr. Pavco will provide her final update later on this call. She is retiring as of May 19, and considering her knowledge and network in the oligonucleotide world, it has been important for us to be able to retain her as a member of our Scientific Advisory Board where she will also join two other new SAB members, whom we added in Q1 of this year: Professor Jim Griffin, Head of Clinical Oncology at Dana-Farber in Boston; and Professor Rolf Kiessling, Head of Clinical Oncology at the Karolinska Institute in Stockholm, Sweden. We are grateful and thrilled that she has accepted this invitation, and that we will be able to benefit from her guidance, knowledge, and network.

Also today, Dr. Pavco will introduce Dr. Gerrit Dispersyn, the executive who is succeeding her as Chief Development Officer. Gerrit has worked with Pam Pavco in the past several weeks to guarantee a smooth transaction of responsibilities. Dr. Dispersyn has strong skills regarding drug development activities with small molecules as well as with cell therapy approaches, and comes with a wealth of regulatory experience as well as a very strong professional network. Gerrit will provide you with what he sees as the main priorities for him to announce what we are currently doing with our technology platform.

And with this, I would like to turn the call over Ms. Caitlin Kontulis for the financial update.

Caitlin Kontulis - *RXi Pharmaceuticals Corporation - Principal Accounting Officer*

Thank you, Geert. Good afternoon, everyone. Today the company filed its Form 10-Q for the first quarter of 2017 with the SEC. The form includes detailed information on the company's financial performance for the three months ended March 31, 2017. During our call today, I'll focus on select financial highlights.

Research and development expenses for the quarter ended March 31, 2017, were $1.3 million compared with $1.3 million for the same period of the prior year. Overall, Research and development expenses were consistent quarter-over-quarter but did see a slight increase due to the commencement of the company's immunotherapy program with the acquisition of MirImmune. This increase was offset by a decrease in our stock-based compensation expense.

Acquired in-process research and development expense was $3 million for the three months ended March 31, 2017. There was no such expense in the first quarter of 2016. This expense was due to the company's acquisition of MirImmune, a privately held biotechnology company that was engaged in the development of cancer immunotherapies. In January 2017, the company acquired all of the issued and outstanding capital stock

of MirImmune in exchange for shares of company's common stock and Series C preferred stock. The fair value of this consideration given during the quarter totaled $3 million, and was expensed as in-process research and development.

General and administrative expenses for the quarter ended March 31, 2017 were $1.1 million compared with $1 million for the same period of the prior year. The increase in general and administrative expenses was due to an increase in employee headcount, with the hire of the company's chief business officer in connection with the MirImmune acquisition and an increase in legal fees. These increases were partially offset by a decrease in stock-based compensation expense.

Net loss for the three month ended March 31, 2017, was $5.5 million compared with $2.2 million for the three months ended March 31, 2016. The increase in net loss was primarily driven by the onetime charge of $3 million of acquired in-process research and development expense as previously discussed.

At March 31, 2017, the company had cash of $10.2 million, compared with $12.9 million at December 31, 2016. The company believes that its existing cash should be sufficient to fund operations for at least the next twelve months.

As Geert mentioned earlier, the company has included a proposal at our most recently filed proxy statement for the company shareholders to vote on a potential reverse stock split. This is in relation to the company's recent notice of non-compliance from NASDAQ as our share price is currently trading below $1.

We discussed in our last conference call that the company has until August 1, to regain compliance with NASDAQ's listing requirements. If at that time, the company has not regained compliance, we plan to file for an additional 180-day extension period. One of the requirements to receive this extension period is that the company must provide written notice to NASDAQ that it intends to regain compliance with the $1 bid price during this second extension period by effecting a reverse stock split if necessary.

Our goal and our intension is not to have to complete a reverse split. And with the number of data points anticipated for the second half of this year, it is our belief that a reserve split may not be necessary. However, taking into consideration the volatility of our share price, the NASDAQ requirement to receive an additional 180-day extension and the added cost to hold a special shareholder meeting at a later date, the company has taken the necessary and preventative steps to put the reverse split to a vote at our upcoming shareholder meeting.

Should the company's Board of Directors need to considering approving a reverse stock split at a later date, they will weigh all possibilities, including evaluating all of our listing options and private equity. We look forward to seeing you at our upcoming shareholder meeting in New York on June 6.

With that, I will turn the call over to Pam.

Pamela Pavco - *RXi Pharmaceuticals Corporation - Chief Development Officer*

Thank you, Caitlin, and good afternoon, everyone. In the next few minutes, I will give you a brief update on the status of our ongoing development program. First, I'll begin with the status of our dermal anti-scarring clinical study RXI-109-1402. As you know, we expanded this study to include a longer dosing regimen, six months rather than three months, so that we could better cover the period of time that scar formation generally occurs in people prone to hypertrophic scarring.

I'm happy to report that all subject participation in this study is now complete, and we are in the process of verifying all data to clean and lock the database. This time-consuming process is ongoing, and all clinical sites are in the process of being close as data verification is complete.

In line with our corporate goals, we are on track to collate and present the full dataset from this study in the second half of the year. This complete evaluation is expected to include demographics and safety summaries as well as conclusions based on scar evaluation from the principal investigators, and a comparison across cohorts as to which dosing regimen provided the best scar outcome.

RXI-109 also continues to be evaluated in the eye in the Phase 1/2 clinical study, RXI-109-1501. We are close to closing enrollment in this study pending the last potential subject screening results. To date, the third and highest dose level has been well tolerated in two subjects with no drug related issues occurring in any subject in the trial. We are on track to complete enrollment in the first half of the year as stated in our corporate goal and will complete subject participation seven months later based on the last subject's entry date.

Of note, last week, we presented an overview of this trial and the data leading up to it in an international ophthalmology conference, ARVO, which stands for Association for Research in Vision and Ophthalmology. A copy of this poster can be found on our website.

In the consumer health area, we are nearing the initiation of our first consumer studies with our anti-tyrosinase compound, which is intended to be used for skin hyperpigmentation disorder. The compound for this study, RXI-231, has been manufactured and released. RXI-231 is in the process of being formulated in a gel formulation that will be used in the consumer studies. This gel formulation facilitates the sd-rxRNA compound penetration through the stratum corneum, the outer most layer of your skin, to the epidermal dermal junction where the target, the melanin-producing cells, reside. An overview of the work supporting the upcoming consumer health studies and data showing compound update ex-VIVO in pig skin was recently presented at the meeting of the Society of Investigative Dermatology or SID.

An update on our other potential consumer health product, which targets collagenase was also presented at SID. Data presented in this poster demonstrated that the elevation of collagenase mRNA following UV radiation was statistically reduced by RXI-185 treatment in culture itself. And this is a proof-of-concept of the potential to use this compound to reduce the effects of photoaging. In addition, the reduction of the targeted messenger RNA after ex-VIVO application of RXI-185 to human skin and explants. Both posters presented at SID are available on our website.

Lastly, a brief update on the Samcyprone study to treat cutaneous warts, RXI-SCP-1502. Since the last call, we have initiated a second cohort with a more subject-friendly protocol. Based on the preliminary results from the first cohort, we reduced the sensitization dose and shortened the timing of it. The early results from the first cohort showed that greater than 90% of the subjects were becoming sensitized, something that is a prerequisite to have a clearance response. We felt that the exploration of a lower dose would be better for the subject in order to avoid over-sensitization. Enrollment is ongoing in this second cohort.

Finally, I am very pleased to hand this call, as well as my current role over to Dr. Gerrit Dispersyn. Gerrit provides a wealth of experience to RXi. He's an accomplished leader in clinical product and business development. He most recently served as the Vice President, Global Head of Clinical Affairs at Integra LifeSciences Corporation, where he was responsible for Integra's global strategy and execution of clinical development, clinical operations, and medical affairs programs. His background includes research and business activities related to human cellular and tissue-based products, and an experience that will be beneficial for RXi's newly added focus on immuno-oncology and cell therapy.

Prior to Integra, Gerrit worked along Geert at Barrier Therapeutics, where he was Vice President, Product Development and Portfolio Management, and where he focused on the development and commercialization of dermatology products and met all aspects of R&D operations and strategy, scientific and competitive and business intelligence, and alliance management. Dr. Dispersyn holds a PhD in medical science from the Faculty of Medicine, in Maastricht University, in the Netherlands, a post-graduate degree in Biomedical Imaging, and a Master of Science in Biochemistry from the University of Antwerp in Belgium.

Although I am retired, I look forward to continuing to work with Gerrit and the whole RXi team as a member of RXi's Scientific Advisory Board. Gerrit is joining a positive, enthusiastic, and committed group of colleagues, and we welcome him on board. Gerrit?

Gerrit Dispersyn - *RXi Pharmaceuticals Corporation - Chief Development Officer*

Good afternoon, everyone. I would like to start off my comments by thanking Pam for a very pleasant and effective transition since I joined the company a few weeks ago. I have been impressed with the accomplishments of the R&D team of RXi under Pam's leadership, and I look forward to building on this solid foundation.

In the next half of this year, my focus will be mainly on two fronts: first, hitting the clinical study milestones that Geert and Pam mentioned; and second, defining the clinical development pathway for the use of our sd-rxRNA technology in cell-based cancer immuno-oncology.

With regards to the clinical study milestone, as Pam mentioned earlier, this will include full study readouts in our dermatology franchise, which studies 1402 and 1502; completing patient enrollment in follow-up in our ophthalmology study, study 1501; and initiation and early data assessment of human testing with our cosmetic product RXI-231.

On the cell-based immuno-oncology side, we aim to further expand our in-vitro and in-vivo proof-of-concept data. Our targets include generating data further solidifying the concept that sd-rxRNA technology is highly suited to overcome several issues seen with different kinds of cell based immuno-oncology treatments. Data being generated in different cell types as well as with different silencing targets will be used to decide on the target clinical indication that we will pursue. This data will also help us in selecting the right extramural collaborations for the execution of our clinical program slated to start in the 2018 time frame.

In addition to these two R&D focus areas, we will also work with our Chief Business Officer, Dr. Alexey Eliseev, to identify potential opportunities for sd-rxRNA in cell therapy outside of immuno-oncology as this may provide us with potential interesting business development opportunities.

And now, I'd like to turn the call over to Alexey, who will provide you with more details on our immuno-oncology programs.

Alexey Eliseev - *RXi Pharmaceuticals Corporation - Chief Business Officer*

Thank you, Gerrit, and hello, everyone. I will briefly highlight our recent developments in the area of immuno-oncology in which we are using our sd-rxRNA technology platform to create more effective cell-based cancer therapeutics.

As we discussed in our previous call, RXi is conducting pre-clinical studies in several areas where we believe our technology has a competitive advantage and can significantly improve over the existing and development of cell therapies. One of these areas is the modification of CAR-T cells to enable them to work in solid tumors. Last month, we participated in the annual meeting of American Association for Cancer Research. We presented there the details of our study with negative and targeting CAR-T cells that we have been able to improve by silencing PD-1 with our sd-rxRNA compound.

Meanwhile, we have advanced this program in our labs by identifying more potent PD-1 targeting sd-rxRNAs through chemical modifications of the existing (inaudible) compounds. One of these improved compounds will likely be designated as a clinical development candidate for our future studies.

We have also scaled up compounds targeting several other immune checkpoints. In the next few months, they will be tested with different types of CAR-T targeting solid tumors in animal models. Another area of interest for us is the improvement of safety and efficacy of hematopoietic stem cell transplants, which are currently standard-of-care for many hematological cancers. We have identified a number of targets that can be modulated by our sd-rxRNA compounds in the transplanted cells. We are currently in the process of screening and identifying compounds for these targets. This is in early stage but potentially high impact program.

The third area is the use of sd-rxRNA to mitigate the cytokine release syndrome or CRS, a common and sometimes fatal side effect that hampers the development of CAR-T therapies for hematological malignancies. We have generated a number of sd-rxRNA candidates for a target relevant to CRS management and are selecting the [obese] candidates for future studies. In addition to our internal work, we are actively exploring collaborations with leading academic groups and industrial partners who develop novel cell-based immuno-oncology treatments.

I will now turn the call back to Geert.

Geert Cauwenbergh - *RXi Pharmaceuticals Corporation - President and CEO*

Thank you, Alexey. In recent months, I've been asked multiple times by retail shareholders why I'm not buying stock at times when our share prices are under pressure. I want to make a few things clear. Number one, all RXi employees, and that includes me, are restricted from buying or selling

RXII securities, when the company is in a blackout period. These periods are implemented preceding the release of company's quarterly financials or when the company is in position of privileged information.

Number two, my past buying pattern should make it quite clear that I am a strong supporter of our company and a strong believer in the potential benefit our technology platform can bring to medicine, and unique in nature of our self-delivering RNAi technology and what puts it in an unique advantageous position when compared to our peers.

Number three, it is my intention to continue to buy as long as people push the share price down. Those responsible for the selling pressure do so, and not based on knowledge and understanding of the scientific and medical potential that our self-delivering RNAi platform that can bring but on a desire of short-term gain and greed. Number four, I firmly believe that at a certain value, avenues can and will open up that may eliminate some speculative aspects that surround our company shares today.

With that, I will now turn the call back to Tammy.

Tamara McGrillen - *RXi Pharmaceuticals Corporation - Director of Operations, Investor and Public Relations*

Thank you, Geert. This now concludes the formal presentation of our call. Operator, at this time, we would like to poll for questions, please.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question comes from Keith Markey with Griffin Securities.

Keith Markey - *Griffin Securities - Analyst*

I'd like to start out by wishing Pam the best of luck with your retirement and your new position on the SAB. You'll be missed. And then I'd like to ask a couple of questions, one I was wondering if you've given much thought or would consider to use your siRNA for immunotherapies as a potential add-on to dendritic cell vaccines?

Alexey Eliseev - *RXi Pharmaceuticals Corporation - Chief Business Officer*

Yes, Keith, thank you for the question. It's actually a great question. Because we've studied sd-rxRNA in applications to multiple types of cells, so far they worked in most of them. Dendritic cells is one area that we are actively considering, but we have not done any significant steps towards that end yet. The short answer is yes, it's in our radar, but not in any currently active program.

Keith Markey - *Griffin Securities - Analyst*

And then I was wondering if you might be able -- when you might be able to elaborate a little bit about the actual targets of your siRNA aside from the ones that are obvious already that you've made public.

Alexey Eliseev - *RXi Pharmaceuticals Corporation - Chief Business Officer*

So the targets that have been disclosed so far are PD-1, CTLA-4, LAG-3, the usual suspects in the checkpoint world. We also have a number of targets that are listed in our patent application. Those are, I believe, about 20 potential checkpoint targets. But some of the targets we are working on have not been protected by IP yet, so they're not disclosing them. But they include the commonly studied in actively pursued checkpoint targets.

Keith Markey - *Griffin Securities - Analyst*

Great. And then in terms of developing your checkpoint inhibitors, are you testing them in conjunction with any other companies? Or are you creating CAR-T cells yourself, for instance, or other types of immune cells that you've been working with?

Alexey Eliseev - *RXi Pharmaceuticals Corporation - Chief Business Officer*

So far we have worked with CROs and academia on CAR-T cells. So there are -- there is one CRO that's making publicly unknown CAR-T cells for us that we are using to target solid tumors. Those are meso CAR-T.

We also collaborated with academia and one of the centers we worked with is Karolinska University, with Rolf Kiessling, who is in our SAB. We are in active discussions with some bigger players in the cell therapy area, but it's probably too early to mention any names.

Operator

(Operator Instructions) Our next question comes from Justin Foster, private investor.

Justin Foster - - *Private Investor*

Hi, good afternoon. Geert, I want to thank you for the 70,000 shares that you bought a few months ago. But I want to talk to you a little bit about your thinking on reverse split. One of the things that was just not mentioned in terms of trying to meet the NASDAQ guideline of a $1 and just chasing that and you've chased it through an 80% drop in the stock price from the time you decided on the last reverse split. And it's already down 25% from the time you just mentioned it this time you're contemplating a reverse split.

You haven't talked about what would you do if you decided not to chase that $1, but instead accept listing on a different exchange. And this is why I don't understand, that the OTCQB and OTCQX are viable exchanges today with transparency. Companies on that stock exchange do raise money. And if any of the people who've invested money with you have a problem with you getting off the NASDAQ, then just explain to them how things have changed and give them a choice: do they want to see another 85% decline in their stock that they're going buy; or do they want to understand why you're saying we don't need to reverse split because there is no target dollar that we need to reach? That would make your company a whole lot more healthy. Thanks for listening to that. Can I have your thoughts?

Geert Cauwenbergh - *RXi Pharmaceuticals Corporation - President and CEO*

Absolutely, Justin.

Justin Foster - - *Private Investor*

Thank you.

Geert Cauwenbergh - *RXi Pharmaceuticals Corporation - President and CEO*

First of all, I certainly understand what you're saying, absolutely. Remember, we were on the QB and on the QC, and we have had and we still have a terrific relationship with the management of the OTC markets. It's certainly not that we don't like them. We definitely do like them. At a certain point, when you are trying to grow, you need to get to also substantial investments from the usual type of larger fund investors. We have been primarily a retail-based company in terms of our shareholders. And I am tremendously grateful for those who have been hanging in, those who have become the shareholders, those who then walked away but then came back.

It is a very difficult situation to manage but that's what why we here for. Our Board is consequently evaluating the situation. As Caitlin pointed out, we have some lag time, before we have to make the decision. So the way I look at is we need to have a final decision by February 1, I think, of 2018, with what we have waiting in terms of data flow, what we have waiting in terms of also the new items coming in our immuno-oncology efforts. I do think that we stand a good chance to basically survive the onslaught of the shortest, as I call it, which is if you look at the volumes, these are not small players, these are big players that do this basically because that's how they make money. I am pretty sure we can get through it.

Deal with a major player or with other players in this space would certainly be helpful. We are extremely active in doing those things. And as I said before, in the meantime I can only show and that is what -- and I appreciate the fact that you noticed. I can only show with the means that I have available that I am a very strong supporter of this company, that I am putting my mouth where my heart and my mind is. And then I am working with my team as hard as we can to basically grow back [the bill] from the down where we are.

The OTCs are not excluded in our thinking, trust me. They're absolutely not excluded. NASDAQ is not excluded. But if it would be necessary, then fine we will value whether a reverse split is less or more damaging than moving to the OTCs. And as Caitlin mentioned in her financial update, even private equity, we have had approaches from people who have expressed their interest. Right now, we fell back, and that we are expecting and hoping that the data flow will help us to bring us to where we are supposed to be in terms of value

I realize that it may frustrate you as an answer because I have not given you one specific answer. I have given you play out of spectrum of options we have, and it will be up to the Board to either beat me up and tell me what I have to do, or me to negotiate and discuss with them what we think is the best solution. But we have not a closed mind to what you are saying, not at all.

Justin Foster - - *Private Investor*

Well, thanks very much, and I'll let you go. But let me just add, if I might very briefly and I really appreciate you having heard me out, and your considered response, that you played into these hands that you are talking about, the shortest, the greed traders. When you talk about a reverse split, they just see a larger stock price that they can knock down again, and that's why you are down $0.20 from the time you guys had first mentioned the second reverse split. And so, if you didn't have to do that, and let's say your stock will go up as you anticipate, but if you announce, we don't care whether we are on the NASDAQ or not, then there is not going to be this downward pressure after the initial jolt. And you -- if you manage to stay and all these things come true that you said they might, then that's wonderful. But by announcing this reverse split contemplation, you are going to -- you are heading for another 80% decline, and it's already hurt. And I feel bad for you. Here, you invested your 70,000 in the 60s and maybe the low 70s price and look what happens. But I knew that would happen but you didn't.

Anyway, thank you very much. I wish you the luck. As you can discern, I am a long time shareholder. I believe in the company. But I think transactionally you guys have not made the wisest decisions in terms of understanding what reverse splits do and how valuable or invaluable NASDAQ is. Thanks again so much and I am going to stay with you guys. Take care.

Geert Cauwenbergh - *RXi Pharmaceuticals Corporation - President and CEO*

I appreciate it. Thank you very much.

Justin Foster - - *Private Investor*

Thank you.

Operator

Thank you. Our next question comes from Lawrence Chase, a private investor.

Lawrence Chase - - *Private Investor*

Thank you very much for taking my call. And I want to say that I appreciate this company. You work very, very hard. And it's a small company. And I think you have done remarkable things over the years. I have been an investor, an increasing investor, now have a significant position with this company.

You briefly touched on your relationships with the rest of the industry, with the biotech industry. I wondered if you would care to just give us a little more color on what's going on, on the reception you've had, on the indications of interest, for example, in cutting a deal with you, that sort of thing. We -- it seems to me we've heard relatively little of that. And I think it might be helpful to people to know what the response is from the biotech industry. Thanks.

Geert Cauwenbergh - *RXi Pharmaceuticals Corporation - President and CEO*

Well, I'll start and I -- thank you very much. By the way, also, thank you very much for being a long-term shareholder. Those are the people that are the closest to my heart. I'll start with a little bit of -- giving you a little bit of color and then I would invite Alexey, who has often been with me but also on his own in contact with those people.

In general, when we announced -- before we moved into immunotherapy and immuno-oncology and cell therapy, people were looking at us as an ophthalmology or a dermatology company, and really did not understand the value that our self-delivering technology brings. There is nothing wrong with RNAi as discovery and actually as a tool to make it work in diseases.

The issue -- the challenge in the beginning was to try to get it into cells, and once they got it into cells the issue was, well, now, that we get in sales because of vehicles, we tend to see some vehicle-related toxicity. As recent as the last quarter of last year, we have seen a number of those vehicle compounded -- compounds that fail in clinical actually. Unfortunately, one that I was hoping that [Mylan] would be the first with their Phase 3 because that would really validate the whole thing. There were failures not because of the value of the compound or the toxicity of the compound, but issues that very often came with the vehicle.

We with ourselves delivering technology do not have that issue. And when Alexey Eliseev and MirImmune came to us, it was an eye opening experience for me that, lo and behold, this is the area which where this actually the easiest to show that self-delivering RNAIs will be idle to deliver on the promises of RNAI. We could -- and I am not going to dwell on it too much because you've seen, I'm sure, all the material that we have generated.

Going to the business development activities. In the past, since we announced the acquisition and since we started implementing it, we've had exposure to many of the big pharma companies and many of the larger biotech companies and the cell therapy and immuno-oncology companies. I would say one-third looks at us like a crowd seeing the first train pass by and they have never seen it. Others immediately have taken us on their radar screen. There have been numerous discussions going on. The question that many people are asking is this is -- or the comments they're making is this is really interesting, can you give us a little bit more data on things like actually one of the comments that Dr. Markey brought up, Keith Markey, earlier, dendritic cells? How does your technology behave with dendritic cells which are notoriously more difficult, it seems, to get transacted? Those are things that, as Alexey mentioned, we are focusing on.

The large players Dana-Farber, MD Anderson, Baylor, the guys in Minnesota, they all very interested. Some of them are actually already working with our compounds. So to me, it's very simple. It's just -- everybody says give us a little bit more data, show -- and even animal studies are fine. They don't need proof in patients. That's at least what they are telling us.

And so, consequently I think it's only a matter of time. And in vitro and in vivo non-human goes a little faster than human. It's only a matter of time for us to generate that data and to actually be able to nurture and come up with some great collaborations and hopefully a deal. But that's still maybe too general. But, Alexey, I am sure you have much more detail to add if you care to do so.

Alexey Eliseev - *RXi Pharmaceuticals Corporation - Chief Business Officer*

Well, I would just add to that briefly, that even when we were at MirImmune, the company that RXi eventually acquired, we did present this technology to almost every single major player in the cell therapy area and we received almost universal interest.

The technology is broadly applicable including the applications to cell therapy. So we see lot of opportunity in making deals with other companies and at the same time retaining lot of value within the company; for example, out licensing certain type of cell therapy and keeping the others with us. But as Geert said, the companies expect to see more data. This is natural. In immuno-oncology deals happen at an early stage, and we are hoping to be able to partner this technology already at the pre-clinical stage.

So, right now, we are keeping ourselves on the radar screen of the major players in cell therapy. And we are hoping to make progress on that later this year.

Lawrence Chase - - *Private Investor*

Well, thank you very much. I just heard things that I really hadn't heard before, and I learned things that I really didn't know that you were doing. And believe me, it makes me feel a lot, a lot better and thanks for that.

Geert Cauwenbergh - *RXi Pharmaceuticals Corporation - President and CEO*

We appreciate your loyalty. We hope you are with us for a long time, and we hope that in the not too long time we will be able to provide you with some substantial increase in valuation of your holdings.

Operator

There appears to be no more questions at this time.

Tamara McGrillen - *RXi Pharmaceuticals Corporation - Director of Operations, Investor and Public Relations*

I'd like to thank everybody for participating on our call. And, operator, you may now close this call.

Operator

Thank you. This does conclude today's conference. We thank you for your participation. You may all disconnect your lines and have a wonderful day.