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RXII - Q2 2018 Rxi Pharmaceuticals Corp Earnings Call

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CORPORATE PARTICIPANTS

Tamara McGrillen *RXI Pharmaceuticals Corporation - IR*

Geert Cauwenbergh *RXI Pharmaceuticals Corporation - President, CEO*

Caitlin Kontulis *RXI Pharmaceuticals Corporation - PAO*

Gerrit Dispersyn *RXI Pharmaceuticals Corporation - CDO*

CONFERENCE CALL PARTICIPANTS

Julian Harrison *H.C. Wainwright & Co - Analyst*

Anita Dushyanth *Zacks Small Capital Research - Analyst*

PRESENTATION

Operator

Welcome to today's webcast entitled RXi Pharmaceuticals Second Quarter 2018 Financial Results Earnings Call.

Today's call is being recorded.

At this time, it is my pleasure to turn the floor over to the Head of Investor Relations for RXi, Tamara McGrillen.

Tamara McGrillen - *RXI Pharmaceuticals Corporation - IR*

We are joined by our President and CEO, Dr. Geert Cauwenbergh; our 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 should not be relied upon as representing our views as of any subsequent date. We specifically disclaim any obligations to update such statements.

And now, I'd like to turn the call over to our President and CEO, Dr. Cauwenbergh.

Geert Cauwenbergh - *RXI Pharmaceuticals Corporation - President, CEO*

Thank you, Tammy, and good afternoon, everybody.

The second quarter has been a pivotal quarter for RXi in its move towards the immuno-oncology and cell therapy space. A key component of that strategy is obviously access to capital, ideally in a shareholder-friendly manner. And that continues to be major focus of our management team.

As we mentioned earlier in the year, one of our core projects in the context of accessing non-dilutive cash is our out-licensing and partnering effort of our dermatology and ophthalmology franchises.

At the beginning of 2018, some of our clinical Phase 2 work in dermatology and our Phase 1/2 study in ophthalmology was still ongoing or had not yet been reported out. We have put a lot of energy and resources in the collection and analysis of those data. And we were very pleased to report the successful top-line data of our Phase 1/2 study for retinal scarring with RXI-109 in ophthalmology at the end of July, adding to a successful conclusion of our RXI-109 study in hypertrophic scars, as well as the Samcyprone study in cutaneous warts.

These activities have allowed us to update [beta rules] that are used for due diligence in the out-licensing and partnering process for our ophthalmology and dermatology assets. The outreach to interested companies is practically complete, and we are moving into negotiations with those companies that have shown an interest.

A pleasant collateral consequence of the completion of our clinical work has been a reduction in our cash burn, which is evidenced by the reduction in our spending compared to previous quarters. Ms. Kontulis will talk more about it later.

Also very important is the fact that our clinical studies with RXI-109 provides solid evidence of the positive disease-modifying effect of our self-delivering RNAi, while at the same time indicating and excellent safety and side effect profile, which we can logically expect to also translate in good tolerability, once we move into clinical testing in patients in oncology studies, possibly in late 2019.

A very important event has happened a few days ago. The FDA approved for the first time ever an RNAi compound for treatment of human disease. This approval means that for the first time ever, an RNAi compound will be entering the pharmaceutical market. And that is a strong signal to the biomedical and investor community that RNAi is here to stay and has become a reality that we'll see several other such compounds become available to serve major unmet needs in fighting diseases.

With our moving to the immuno-oncology and adoptive cell transfer therapy space, we have generated a lot of interest with our approach to self-delivering RNAi that has generated a lot more interest from both academic and industrial colleagues in the immuno-oncology and cell therapy space.

That has resulted in several collaborations. More than ever before, these R&D partnerships are providing us great enthusiasm and support from companies that want to use our self-delivering RNAi compounds to perfect and potentiate their proprietary cell therapeutic approaches with TCRs and TILs, aiming at expanding the potential for those approaches for solid tumors.

On the academic side, we have excellent collaborations ongoing with world-leading institutions such as Gustave-Roussy in Paris and CCIT in Copenhagen.

On the corporate side, we are collaborating with leading cell-based immunotherapy companies such as Medigene and Iovance. Dr. Gerrit Dispersyn, our Chief Development Officer, who joined the Company in April of 2017, not only has done a remarkable job of rounding out the clinical development work in ophthalmology and dermatology, but he has also been instrumental in creating a coherent development approach to position our sd-rxRNA technology as a potentially game-changing therapeutic in immuno-oncology in three areas.

First, the use of our sd-rxRNA compounds for checkpoint inhibition in adoptive cell therapy with T-cells, whether autologous TILs or engineered TCRs or CAR-Ts, allowing a broader use of ACT in oncology, for instance, moving into the solid tumor space.

Second, the use of our sd-rxRNA compounds in adoptive cell transfer therapy to optimize immune cells other than T-cells, for example, natural killer cells; and in ways other than checkpoint inhibition, for example, by optimizing their differentiation, and as such, making them more effective in their fight against tumor cells.

And thirdly, the direct use of sd-rxRNA compounds as therapeutics, that is without adoptive cell transfer approach or ACT. We can use our self-delivering RNAi platform to inhibit targets that affect tumor and/or the tumor microenvironment. Gerrit will provide more background about that strategic approach when he speaks a little later on this call.

But, first, of course, Ms. Caitlin Kontulis, for the financial update and outlook.

Caitlin Kontulis - *RXI Pharmaceuticals Corporation - PAO*

Thank you, Geert. Good afternoon, everyone.

The Company filed its second quarter Form 10-Q with the SEC today. The filing includes detailed information on the Company's financial performance for the quarterly period ending June 30, 2018. Today's call will focus on select financial highlights from this quarterly period. The Company continued to recognize revenue during the quarter, related to our collaborative effort with BioAxone Biosciences, under the government grant awarded by the National Institute of Neurological Disorders and Stroke.

This grant provides funding for the development of a novel sd-rxRNA compound that targets PTEN for the treatment of spinal cord injury. In June, we announced that BioAxone was awarded funding for the second year of the grant, in which RXi is a sub-awardee.

We received $129,000 in the first year and will receive an additional $119,000 for our contributions under the grant in the second year. The Company didn't recognize revenue during the three months ended June 30, 2017.

Research and development expenses for the quarter ended June 30, 2018 were $1.2 million as compared with $1.3 million for the quarter ended June 30, 2017. The decrease was primarily due to a decrease in clinical trial related expenses as subject participation is complete for all the Company's clinical trial.

The Company did not have acquired in-process research and development expense for the quarter ended June 30, 2018. During the three months ended June 30, 2017, the Company recorded a one-time charge to acquire in-process research and development expense related to the fair value of consideration given in the acquisition of MirImmune.

General and administrative expenses for the quarter ended June 30, 2018 were $0.8 million, as compared with $1.1 million for the quarter ended June 30, 2017. The decrease was primarily due to decreases in payroll-related expenses as a result of a decrease in headcount and in legal fees, as compared to the prior-year period.

Net loss for the three months ended June 30, 2018 was $1.9 million, compared with $2.5 million for the three months ended June 30, 2017. The decrease was driven by the decrease in operating expenses, primarily general and administrative expenses I just discussed.

The Company strengthened its balance sheet with the completion of a capital raise in April of this year. The Company sold 1.5 million shares of its common stock and 1.3 million warrants to certain investors for net proceeds of $4.2 million.

Additionally, in May, NASDAQ provided the Company until September 25 to regain compliance with the NASDAQ listing rule regarding stockholder's equity. With this raise, the Company believes that it's in compliance with this listing rule as evidenced by the Company stockholder equity balance of $3.3 million as disclosed on our balance sheet at June 30, 2018.

The Company further expanded its cash runway with the sales of common stock under the Company's purchase agreement with Lincoln Park Capital. During the three months ended June 30, 2018, the Company received net proceeds of approximately $400,000 and $1.4 million during the six months ended June 30, 2018. There remains about $13 million available to the Company under the purchase agreement.

At June 30, 2018, the Company had cash and cash equivalents of $5.3 million as compared with $3.6 million at December 31, 2017. The Company has continued to decrease its quarterly burn rate as compared with the prior year. With an average quarterly burn rate of $2 million, which the Company projects to continue for the remainder of the year, the Company expects its cash runway to extend into the first quarter of 2019.

We tend to address our cash runway to the participation of long-term value investors and our business development activities with our dermatology and ophthalmology program.

As Geert mentioned, we have seen an increase in the interest of the Company with our entry into the immuno-oncology space, which has translated into a number of well known academic and industry collaboration. We are also seeing that support in the number and quality of investors that we are speaking with.

We are continuing to foster those relationships, and if successful, will likely provide funding at terms that are more beneficial for the Company, as well as provide stability to our share price.

That, coupled with potential non-dilutive funding from the out-licensing of our dermatology and ophthalmology assets should be transformational for the Company as a player in the immuno-oncology space and provide us with funding for our move into the clinic next year and beyond.

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

Gerrit Dispersyn - *RXI Pharmaceuticals Corporation - CDO*

Thank you, Caitlin, and good afternoon, everyone. Since our last earnings call, we've shared some very exciting news with you, namely the positive outcomes of our 1501 and 1502 clinical studies. In addition, as Geert has mentioned, we have made good progress in the execution of our immuno-oncology R&D strategy. During this call, I will give you a brief overview of these topics.

In May, we announced the top line data of our 1502 study of Phase 2 clinical study in 88 patients to investigate to safety and efficacy of Samcyprone in cutaneous warts. Diphencyprone is our proprietary topical formulation of the small molecule diphenylcyclopropenone. As a reminder, this study was a multi-center, multi-dose trial conducted in subjects with at least one non-genital wart present for at least four weeks. In the study, subjects were first treated with a sensitization dose on the inner arm and one or more preselected wart lesions.

Once the sensitization response was confirmed, subjects continued with weekly treatments for up to 10 weeks followed by an optional extension phase up to another 10 weeks of weekly treatments. The study successfully met its primary effectiveness objectives and its secondary safety and tolerability objectives. The primary effectiveness objectives were met as shown by one, high levels of immune sensitization response; and two, high levels of therapeutic response. The immunotherapeutic response rate, a prerequisite for therapeutic response was 97.7% across all 88 subjects enrolled in the study.

From a therapeutic response view point, with once weekly dosing for up to 10 weeks more than 70% of all warts showed a positive wart response rate, mainly a wart size reduction of more than 50%. Complete wart clearance throughout the study was 54% for all warts and more than 71% for certain wart types namely non-plantar warts. The study results furthermore shows that the product was safe and well tolerated. There were no drug related serious adverse events nor any dose-limiting toxicities and most adverse events were those expected with the use of a topical immunomodulator.

Overall, these results are very favorable, especially when comparing to other treatment modalities currently available.

Earlier this month, we also announced positive top line data from our 1501 clinical study, a Phase 1/2 trial with RXI-109 in patients with retinal scarring. RXI-109 is a self-delivering RNAi compound that targets connective tissue growth factor or CTGF, which is a key regulator of fibrosis and scar formation. This clinical study with RXI-109 was an open-label multi-dose, dose escalation study with nine patients in three dose cohorts to evaluate the safety and tolerability of our RXI-109 injections in the eye.

All the patients enrolled were subjects with advanced neovascular age-related macular degeneration and accompanying subretinal fibrosis. The primary objective was met as shown by the absence of dose-limiting and serious toxicities, and only mild to moderate procedure-related adverse events were observed. None of the adverse events were drug related.

In addition, comprehensive ocular examinations showed no indications of inflammation nor any other tolerability issues related to the treatment. Therefore, these study results showed that RXI-109 was safe and well-tolerated for all patients included in the three dosage groups.

The comprehensive imaging techniques used also allowed us to look at potential clinical effect by measuring the change from baseline in the subretinal fibrosis lesion size. The various imaging modalities and image analysis techniques used, suggest a halt or even reversal of the disease progression in the study eye of several subjects. Some of the improvements may indicate a more pronounced second cohort with the highest dose, we also used eye chart reading tests to assess the potential effect on visual function referred to as BCVA or best corrected visual acuity.

Compared to the baseline visit, all but one subject had an improved BCVA of the study eye at the last follow-up visit. Also with these measurements, aggregate data suggest that the positive impact is higher in the higher dosage groups.

We are very excited with this data especially if you consider the following. A criteria for patient success was not predefined in this study, which is normal for an early phase study. But if we would be using the same success criteria as used in pivotal trials with anti-VEGF treatments, treatment success would be declared in all but one patient in our 1501 study.

On the preclinical R&D front in immuno-oncology, as Geert has mentioned, we have been focusing on combining internal and external resources to further our immuno-oncology pipeline in three focus areas, or buckets as I'd like to call them. Bucket one, the use of checkpoint inhibiting sd-rxRNA compounds in T-cell based Adoptive Cell Therapy or ACT. Bucket two, using sd-rxRNA to improve cell killing activity in ACT, but with immune effector cells other than T-cells and using targets other than immune checkpoints. Bucket number three, the use of sd-rxRNA compounds directly towards tumor cells and/or targets in the tumor microenvironment, so without the use of ACT.

Let me give you an update for each of these three focus areas.

Bucket one is our most advanced bucket, our lead compounds have been previously disclosed and these are RXI-762 and RXI-804, which are sd-rxRNA compounds against the checkpoints PD-1 and TIGIT respectively. As you know, we are aiming to get into the clinic with RXI-762 towards the end of 2019, and our internal activities and external collaborations in support of this are lining up nicely. Indeed, we previously announced collaborations with the academic institution CCIT and with the companies Medigene and Iovance.

And these collaborations are progressing as planned.

CCIT was focusing on the use of RXI-762 in TILs have been observing nice silencing of PD-1 in their TIL cultures and are currently working to repeat this experiment at larger scale. Medigene is focusing on using sd-rxRNA technology with their TCR platform and similar to CCIT, they also showed efficient knockdown in T-cells using their production process for TCR transgenic T-cells.

For our most recent collaboration with Iovance, we have manufactured and shipped the first set of compounds and are preparing more to be shipped early September.

Talking about compounds delivery, I also want to share that we're finishing up to production of our first cGMP batch of RXI-762 this month, which is a key accomplishment and a critical milestone for the clinical program with this compound.

Let me discuss bucket three before jumping to number two. Based on the positive data in dermatology and ophthalmology clinical studies, we have shown that the direct local delivery of sd-rxRNA compounds is safe and effective. Therefore, this clinical data foundation gives us a strong head start to develop potential new targets that can be used for direct tumor and/or tumor microenvironment therapy. Internally our team has been busy with the identification and [prioritization] of such potential new targets. And data generation is also occurring through collaborations with CROs and leading academic centers.

Indeed through the collaboration with Gustave-Roussy in Paris, we're focusing on the direct intratumoral use of sd-rxRNA through injections. So we can show that we get reasonable cell distribution and the great cell uptake of sd-rxRNA after intratumoral injections. More importantly, we can show that we can very selectively silence target proteins after such an injection. Further work is currently ongoing to setup the right animal models, so that also relevant phenotypic changes can be measured.

Last but not least, bucket two, which is the R&D related activities to the use of sd-rxRNA in immune effector cells other than T-cells and for targets other than immune checkpoints. The work in this focus area has thus far been mostly internally, but based upon very interesting results, we're working to establish extramural collaborations with academic centers and/or companies similar to what we are doing in the other focus areas.

We have been generating interesting data on the use of sd-rxRNA targets in natural killer cells or NK cells, and also with targets other than checkpoints. More specifically, we're screening several compounds that can help with preventing immune cell exhaustion, which is a real problem with current forms of ACT.

In addition, we have several leads that can impact immune cell differentiation and cell maturation. Manipulating cell differentiation and maturation can impact the immune cells activity and/or persistence.

So next to the identification of synthesis of compounds for such target, we're also setting up assays that can further be used to prioritize these compounds and targets prior to them being tested in animal models. Based upon our internal work, we expect to announce collaborations in this area in the very near future.

So in summary, a lot of interesting data has been generated that will support our ongoing business development activities on the dermatology and ophthalmology assets and other interesting data that will also support continuation and expansion of our research collaborations in immuno-oncology.

So now I'd like to turn the call back to Tammy. We look forward to your comments and questions. Tammy?

Tamara McGrillen - *RXI Pharmaceuticals Corporation - IR*

Thank you, Gerrit. This concludes the formal presentation for today.

Operator, we would like to open the call to questions, please.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

And our first question comes from the line of Ram Selvaraju from H.C. Wainwright. Your line is now open.

Julian Harrison - *H.C. Wainwright & Co - Analyst*

Hi there, this Julian on for Ram. First, I was just curious, when you plan to conduct IND enabling studies for the most advanced candidate under your collaboration with Iovance, is that something you're able to comment on at this time?

Gerrit Dispersyn - *RXI Pharmaceuticals Corporation - CDO*

Julian, thanks for your question. As we have previously indicated, our direct route to the market or to the clinic, I should say, is with collaborations with centers such as CCIT, because these are centers that have been doing this translational work before. So these are the experts that have been developing TIL-based therapies and translated them into clinical use. What happens with these institutions, most of the time is that, they know exactly what they need in terms of data for an IND or in case of CCIT, an IMPD.

So in discussions with them, we're very well aware essentially of the datasets that are required to get such an IND or international equivalent [they have approved]. And it's also logical there to understand that the most direct way to get these done is through investigator-initiated INDs, or investigator-initiated IMPD, so very likely our first clinical study will be through such a route.

Julian Harrison - *H.C. Wainwright & Co - Analyst*

Okay, great. Thanks for that. And my last question is just to clarify, your out-licensing efforts for both RXI-109 and Samcyprone are near complete. Did I hear that correctly?

Geert Cauwenbergh - *RXI Pharmaceuticals Corporation - President, CEO*

They are ongoing. It is complete when we have the right partner and they have signed for the right amount. We have -- to give you a little bit of an idea what has been going on together with an advisory firm, we have basically approached through well over 50 companies dermatology, ophthalmology combined. And we currently are in the second phase with about a dozen companies for both dermatology and ophthalmology combined, where they are doing in depth due diligence and where by a certain time, we expect from them a non-binding bid, after which we will decide with whom we continue the process to a final stage.

Julian Harrison - *H.C. Wainwright & Co - Analyst*

Okay. Thanks very much.

Tamara McGrillen - *RXI Pharmaceuticals Corporation - IR*

Thank you.

Operator

And our next question comes from the line of [Steven Salazar]. Your line is now open.

Unidentified Participant

Hi, thank you for taking my call. My question is about the skin lightener product, the RXI-231. And a similar question as to the previous caller is what is the out-licensing status of that product?

Geert Cauwenbergh - *RXI Pharmaceuticals Corporation - President, CEO*

Well, I can -- I'll hand it over to Gerrit. But first of all, the skin lightening product which was -- which is a very interesting product is more into the skincare dermatology sphere. And that is something that is going to be out-licensed when we out-license or partner with the dermatology asset. But maybe Gerrit can provide a little bit more of the background in case people would have missed that.

Gerrit Dispersyn - *RXI Pharmaceuticals Corporation - CDO*

Yeah, so it's a good question. So as Geert has mentioned, this is essentially -- so if you -- to dial back on our business development strategy is that we're focusing to, in essence, by lack of a better word, bundle up our derm assets in with one partner. We believe that providing them with access

to the lead compounds, 109 and 231 and a few others, that is essentially the best strategy so that Company has access to compounds in a more advanced stage of development as well as having access to essentially a pipeline of self-delivering RNAi molecules moving forward.

So in our discussions with potential partners, we're -- that would be our preferred approach. However, as Geert has mentioned, we're looking at it from different perspectives to get the maximum valuation. And so, if in case, the specific assets for RXI-231 fits better with a Company that is more specifically focused on cosmetics and that I need to translate that. If such a Company would provide a more significant valuation of that, they would definitely consider that. But our initial idea here is to keep it intact, before essentially spreading our wealth and our compounds over different companies.

Unidentified Participant

I can understand the desire to get the maximum value. But the reality is for the -- for the Company, reality is that, you don't have any money to really pursue your efforts in immuno-oncology or whatever. And the clock keeps ticking. I don't know how else to say it.

Geert Cauwenbergh - *RXI Pharmaceuticals Corporation - President, CEO*

That is correct. I'm not sure that was a question or a comment. But...

Unidentified Participant

Well, both, yes.

Geert Cauwenbergh - *RXI Pharmaceuticals Corporation - President, CEO*

Okay. As I try to point out, we have followed a routine process, a funnel process with broad outreach and then basically bringing it down to a smaller number that's at about a dozen for dermatology and ophthalmology combined at this point. And, yes, the clock is ticking, but at the same time, first of all, it depends on which clock you're talking about. If it is a financial clock, we are very much aware of that, of course. If it is the patent clock, then it should be comforting to know that the IP for the self-delivering technology, the core IP goes until 2029. And the IP for 231, which is the pigmentation compound you were mentioning, that is going to go a lot beyond that, because that is IP that was filed maybe two years ago. So that is going to add probably five, six years to the patent life, if that was the clock you're talking about.

Unidentified Participant

Well, yes, to all of that. I mean, with the 231 product, your skin lightener, I've always been particularly interested in it, because that product alone will give you financial freedom. And yet, I look at the main presentation and the progress got to proof of concept and you stated in that presentation that both the magnitude and longevity of the effects still needs to be researched. Okay, I'll end my comment with -- I hope you get a deal. That's all I can just say. Thank you.

Geert Cauwenbergh - *RXI Pharmaceuticals Corporation - President, CEO*

We're working hard to get there. And I'm counting on that too.

Unidentified Participant

Okay.

Operator

And our next question comes from the line of Anita Dushyanth, from Zacks Small Capital Research. Your line is now open.

Anita Dushyanth - *Zacks Small Capital Research - Analyst*

Hi, good afternoon. This is Anita on behalf of John. And thank you for taking my call today. My first question would be, ever since the release on the first Phase 2 clinical trial for RXI-109, what kind of interest have you seen since the FDA approval? Like what kind of interest have you seen in terms of awareness? Has that helped increase the awareness?

Gerrit Dispersyn - *RXI Pharmaceuticals Corporation - CDO*

So, yeah, so that is a good question, so a couple of things that you were asking in one sentence maybe. So first of all, you're absolutely correct that the recent approval of the first RNAi therapeutic by the FDA is a huge milestone. And obviously, in our discussions with potential partners, they're very well aware of that and quite frankly it validates something that everyone working in the RNAi space know that that the facts were for several years already that RNAi technology is a real deal and is there to stay.

So quite frankly, the regulatory -- quite frankly, the first regulatory hurdle [essentially for] of an approval, of the first approval of a new therapeutic definitely makes everyone excited including ourselves and including the potential partners we were talking to.

So I think your question then was on RXi and our Phase 2 data and our most recent data in ophthalmology. And I think that's somewhat additive, right. So we've seen throughout the development of RXI-109 in derm indications and now more recently also with 109 in ophthalmology. We see really very important elements that are the foundation for becoming a very important therapeutic as a follow-up.

And so the -- interestingly, the data on 109 in ophthalmology is even also of interest to potential partners looking for dermatology, because again the eyes are very sensitive area, so further evidence about the safety and tolerability of our technology platform is obviously very welcome. So I think it's a combination of our internal data generation as much as a regulatory milestone if you want, it's definitely helping us and so that definitely plays a role in our interactions with potential partners.

Anita Dushyanth - *Zacks Small Capital Research - Analyst*

Okay, great.

So in terms of getting the approval itself from the FDA, any observation from the approval process that is relevant to RXI and does it provide more clarity on the approval pathway for other products.

Gerrit Dispersyn - *RXI Pharmaceuticals Corporation - CDO*

Well, that's a very good question. And I would say it is somewhat different depending on what indication you are looking for, and quite frankly it also is a little bit of what we mentioned before, why we are focusing now on immuno-oncology.

Clearly, when a new technology platform is going to be pursued, a regulatory body would much more be amenable to approve something that is a [serious] disease, with real clinical unmet need versus going into the indication that, let's say, more benign and chronic in nature, where maybe some other solutions exist for.

That being said, we believe that [our model] was playing the right card with going forward on orphan indication. I also believe that we are playing the right card with focusing on immuno-oncology, which there is a significant unmet need in the existing Adoptive Cell Therapy world that our

technology could fit. But that doesn't take away for the value of our pipeline even though a more let's say more traditional development pathway that you can envisage for ophthalmology and dermatology indications. You're going to take likely somewhat longer than for orphan drug indications and/or life threatening diseases like cancer.

But still, it's got to be very relevant.

So what I would say is that, yes, we better understand that FDA -- well, first of all, it confirms that FDA is very open for technology like this, again they allowed us to move into IND for dermatology and ophthalmology without any hiccups. So we know that FDA is open for that and the approval now for our line of product is further confirming that.

Anita Dushyanth - *Zacks Small Capital Research - Analyst*

Okay, great. Thank you. And my last question would be, can you explain how the RNAi will modify the T-cell receptor, so I know, you're working towards several ways to use the RNAi to reduce or eliminate PD-1 receptors from CAR T-cells. Will that focus on PD-1 or the PD-L1 pathway?

Geert Cauwenbergh - *RXI Pharmaceuticals Corporation - President, CEO*

Well, first of all, the RNAi mechanism is fairly straight forward. So what the RNAi does, it blocks the production of protein. That means that the T-cell receptors, you are talking about are examples of proteins. Every protein has a very specific messenger RNA, which in the case of RNAi, blocks that specific messenger RNA. So anti-PD1 RNAi is going to block the messenger RNA that is responsible for the production of the PD-1 receptor that you mentioned. The advantages of RNAi is that an antibody works only when the protein is already expressed, and RNAi can avoid that protein gets expressed, so actually it's more prevention than treatment.

Having said that, so the mechanistically this is fairly straight forward, we have taken actually -- and Gerrit has been spearheading that. He has taken PD-1 as the first compound to go, because they are at least known and the known is that PD-1 blockage has a physiological as a treatment effect, because there is PD-1 inhibitors that have been approved. So that is the reason why we also work in the first phase with PD-1. But needless to say that the wealth and diversity of the RNAi platform is going to allow us to block many checkpoints, but also other proteins as evidenced in the buckets that Gerrit mentioned. And so it's going to be a lot of work, but exciting work.

Gerrit Dispersyn - *RXI Pharmaceuticals Corporation - CDO*

Yeah, I think, Anita, it was a good question, and obviously I'm going to add one thing to that, and I think you maybe on -- that your question maybe on to that. I think what you're aiming at is looking at the potential synergies of pipeline products that we have in the different buckets. So right now, even though, we're focusing on PD-1, which is -- as you know, expressed in the immune effector cells.

As Geert mentioned, it's straight forward, why we're doing that it's a proven clinical target, right. So we're taking away development risk by going after something that's already proven. But we're improving on that as well, as Geert mentioned, by having these cells pretreated by given them back to the patients, so therefore no longer having the need for expensive and sometimes quite risky antibody treatments for those patients.

But what indeed is a potential -- I mean, it's a forward looking statement, while potential future of our technology that indeed, we can also through direct tumor target, target proteins into tumor microenvironment. So technically speaking, we could do both, we could do PD-1 and PD-L1, we're not doing PD-L1, because it would be nonsensical to attack the exact same signaling pathway.

But you can imagine that a combination of therapies, we could be playing there by having Adoptive Cell Therapy, weaponized by our sd-rxRNA compounds, so by treating the cells essentially (inaudible) and giving them back to the patient. At the same time, through intratumoral injections in the tumor or tumor microenvironment, further modifying that area to further help the killing of the tumor cells.

So that's the beauty of our platform technology that we're not one-trick-pony even though the last people are just focusing on that one pipeline probably that we've mentioned. And I hope some of the information that we provided early in the call, gives a little bit of an insight into that we have more in development than just that PD-1 compound.

Geert Cauwenbergh - *RXI Pharmaceuticals Corporation - President, CEO*

Anita, from a business development point of view, for instance, it's becoming clear with the approaches that are made by other players in the space that management's in the other companies realize that our technology, the self-delivering RNAi technology can indeed enhance their capabilities and broaden their possibilities. Today cell therapy is primarily focused on liquid tumors, the reason why Medigene and Iovance want to work with our technology, and try to marry it with their technology is because it opens for them the opportunity to get not just in the liquid tumor space, but also end up in the solid tumor space, which is 90% of the oncology market.

Anita Dushyanth - *Zacks Small Capital Research - Analyst*

It's great. Okay. That was very insightful. Thank you. Thank you. That will be all for me.

Geert Cauwenbergh - *RXI Pharmaceuticals Corporation - President, CEO*

Thank you, Anita.

Operator

And our next question comes from the line of [Justin Foster]. Your line is now open.

Unidentified Participant

Thank you. I just have one question, but excuse a brief prologue. I have been a long time shareholder, but have taken kind of an intellectual vacation from you all since your last stock split, reverse split that some us had begged you not to do. And as a result of the last two, your market cap is about a 50th of what it was before the first of the last two just as we predicted.

But I do have a question. And your Company is unique. I don't think you really ever had a scientific reversal. Everything you worked on has come to some scientific fruition. And that's wonderful. The problem has been in terms of just shareholder, obviously, the financial problems, but you're dealing with that as best you can. But it's still the mafia of traders out there, T-R-A-D-E-R-S. As you know, given your float, your daily volume is absurd, the amount of people who trade.

And on certain news days, the millions of shares that exchange hands, despite your limited float, it makes no sense. It makes no legal sense in a way. And I know that you've tried to confront the problems with all the problems that are out there with distorted trading these days. I've come to the conclusion that you can't escape it. I think that even if you have some of these deals and partnerships come through, if RXi is on the name of your Company still, you're going to see this misuse of your stock in terms of trading. It's disgusting and not your fault.

So here is my question. My thought is the only way to escape it is to have a different name on your Company, i.e., to merge with another Company to be bought out, and somehow try to escape this mafia of traders that is devastating you in trading daily. Any possibility, even if it means not the best terms for you, and this -- I even said this three years ago, that if you could get yourself into another Company's hands that doesn't -- isn't plagued by the things that have plagued your Company on the stock exchanges, there is some hope.

I'm afraid that you're going to get good news and your shares are going to still be ripped apart. Sorry, about this long monologue. So that's my bottom-line question, how to escape the hands of the mafia of traders? The absurd volumes that are trading despite the small float and what you can do about it? Can you get yourself in the hands of another Company without devastating your own Company?

Geert Cauwenbergh - *RXI Pharmaceuticals Corporation - President, CEO*

Well, Mr. Foster, those are all -- well, that's one very good question with multiple ramifications. I can assure you that we are very much aware of what's going on with the trading. The most recent one was pretty obvious if you think about it. A Company with a total market cap of less than $10 million traded $25 million in volume. That gives you enough of an idea of what's going on. And the only way that we can break out of that is by a breakout event.

And breakout events can be -- for instance, if we would get at once -- as a result of our business development activities, if we would get one or two years of non-dilutive cash coming in, that would probably put a pause on the pressure, probably would also result in millions of shares to be traded at the same time. And the other aspects like finding other companies to partner with or to merge with or in -- or create a new entity, those are all possibilities. And the only way that you can work on those possibilities is by moving into relationships with those companies, other companies, so that on both sides you can have an open mind, is there a synergy, is there added value for both the groups of shareholders. And that is a process that our board is very much aware of and that we are doing on a constant basis.

I could say, trust us; we are working on all those things.

Unidentified Participant

Well, thank you. The level of trust is low since you proceeded to do the reverse splits. I understand the reasons for them. But be that as it may and I'll just make a final comment and thank you for your candid response and for being open to it.

I doubt that even good news with better money is going to help. I think you are going to have to find another Company to join with. And just escape the clutches. And even when your board looks at the bottom line and that deal was going to be a little less good than others, where you retain your RXi name, I think -- I hope that you will be open to taking even a little less good offer bottom line if it allows you to escape the situation you're in. And I'm not just talking about a financial situation.

And again, congratulations on being unique and really never having a profound set back in the hallmark of your work in the last years. Things have borne fruition and haven't been devastated like other companies, where, oops, it didn't work, we're out of business. You have other reasons for being out of business and it's unfair in a sense, because of your consciousness and wise use of your science and really your scrupulous bottom-line as you have not thrown money at things.

Anyway, that's my compliment. And my pleading is you got to get off the exchange as RXi, otherwise they're always going to have you. Thank you so much and good luck to you.

Geert Cauwenbergh - *RXI Pharmaceuticals Corporation - President, CEO*

Thank you for your wisdom. It's much appreciated.

Unidentified Participant

Thanks.

Geert Cauwenbergh - *RXI Pharmaceuticals Corporation - President, CEO*

And thanks for being a shareholder.

Unidentified Participant

Thank you.

Operator

Thank you. And at this time, I'm showing no further questions.

Tamara McGrillen - *RXI Pharmaceuticals Corporation - IR*

Well, we'd like to thank everybody for participating on the call today. Operator, please close the call.

Operator

Thank you. This does conclude today's conference. We thank you for your participation. You may disconnect your lines at this time and have a great day.
