

Pulmatrix, Inc.
Form 10-Q
August 04, 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 June 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: 001-36199

PULMATRIX, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

99 Hayden Avenue, Suite 390

Lexington, MA
(Address of principal executive offices)

Registrant's telephone number, including area code (781) 357-2333

46-1821392
(I.R.S. Employer
Identification No.)

02421
(Zip Code)

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 during the preceding 12 months (or for such shorter period 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 check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of July 29, 2016 the registrant had 14,651,909 shares of common stock outstanding excluding 198,617 shares of common stock deliverable on a delayed basis pursuant to restricted stock units that have vested.

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EXPLANATORY NOTE

This report is the Quarterly Report on Form 10-Q for the quarter ended June 30, 2016 of Pulmatrix, Inc., which was formerly known as Ruthigen, Inc., prior to the consummation on June 15, 2015, of the merger described below.

On June 15, 2015, pursuant to the previously announced Agreement and Plan of Merger, dated March 13, 2015 (the Merger Agreement), by and among Pulmatrix, Inc., a Delaware corporation previously known as Ruthigen, Inc. (the Company), Ruthigen Merger Corp., a Delaware corporation and a wholly owned subsidiary of the Company (Merger Sub), and Pulmatrix Operating Company, a Delaware corporation previously known as Pulmatrix Inc. (Pulmatrix Operating), Merger Sub was merged with and into Pulmatrix Operating, with Pulmatrix Operating continuing after the merger as the surviving entity and a wholly owned subsidiary of the Company (the Merger). At the effective time of the Merger (the Effective Time), without any action on the part of any stockholder, each issued and outstanding share of Pulmatrix Operating s common stock, par value \$0.01 per share (the Pulmatrix Operating Common Stock), was converted into the right to receive 0.148187124066461 shares (the Exchange Ratio) of the Company s common stock, par value \$0.0001 per share (the Company Common Stock). Immediately following the effective time of the Merger, the Company effected a 1-for-2.5 reverse stock split of the issued and outstanding Company Common Stock (the Reverse Stock Split). Following the Merger, former Pulmatrix Inc. equity holders owned approximately 81.7% of the Company s outstanding shares of Company Common Stock, and former Ruthigen, Inc. equity holders, including those who purchased shares of the Company in a private placement that the Company closed prior to the Merger, owned approximately 18.3% of the Company s outstanding shares of Company Common Stock, in each case excluding shares of Company Common Stock held in escrow to secure indemnification obligations under the Merger Agreement.

The Merger has been accounted for as a reverse merger under the acquisition method of accounting for business combinations with Pulmatrix Operating being treated as the accounting acquirer of the Company. As such, the historical financial statements of Pulmatrix Operating will be treated as the historical financial statements of the combined company. The results of the post-combination Company for the three and six months ended June 30, 2016, are compared to the financial results for Pulmatrix Operating for the three and six months ended June 30, 2015. The Company s second quarter ended June 30, 2016, reflects a full quarter of combined entity operating results.

See Notes 1, 2 and 4 of the notes to the condensed consolidated financial statements for additional information.

Table of Contents**PART I FINANCIAL INFORMATION****Item 1. Financial Statements.****PULMATRIX, INC.****CONDENSED CONSOLIDATED BALANCE SHEETS**

(in thousands, except share and per share data)

	At June 30, 2016 (unaudited)	At December 31, 2015
Assets		
Current assets:		
Cash and cash equivalents	\$ 10,788	\$ 18,902
Prepaid expenses and other current assets	1,010	1,560
Total current assets	11,798	20,462
Property and equipment, net	875	685
Long-term restricted cash	204	250
Intangible assets		7,534
Goodwill	15,942	15,942
Total assets	\$ 28,819	\$ 44,873
Liabilities and stockholders equity		
Current liabilities:		
Loan payable, net of debt discount and issuance costs	\$ 2,233	\$ 1,029
Accounts payable	664	1,090
Accrued expenses	1,212	1,486
Total current liabilities	4,109	3,605
Loan payable, net of current portion, debt discount and issuance costs	4,548	5,692
Derivative liability	11	11
Deferred tax liability		2,959
Total liabilities	8,668	12,267
Commitments (Note 14)		
Stockholders Equity (Deficit):		
Preferred stock, \$0.0001 par value 500,000 authorized and 0 issued and outstanding at June 30, 2016 and December 31, 2015		
Common stock, \$0.0001 par value 100,000,000 shares authorized; 14,850,526 and 14,745,754 shares issued and outstanding, including vested	1	1

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restricted stock units of 198,617 and 229,744, at June 30, 2016 and December 31, 2015, respectively.

Additional paid-in capital	163,110	160,708
Accumulated deficit	(142,960)	(128,103)
Total stockholders' equity	20,151	32,606
Total liabilities and stockholders' equity	\$ 28,819	\$ 44,873

The accompanying footnotes are an integral part of these condensed consolidated financial statements.

Table of Contents**PULMATRIX, INC.****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS****(unaudited)****(in thousands, except share and per share data)**

	For the Three Months Ended		For the Six Months Ended	
	June 30,		June 30,	
	2016	2015	2016	2015
Revenues	\$ 260	\$ 170	\$ 656	\$ 275
Operating expenses				
Research and development	2,441	1,610	5,871	2,528
General and administrative	2,214	9,879	4,623	11,812
Write-off of intangibles, net of tax provision	4,575		4,575	
Total operating expenses	9,230	11,489	15,069	14,340
Loss from operations	(8,970)	(11,319)	(14,413)	(14,065)
Interest expense	(224)	(327)	(448)	(511)
Loss on the conversion of convertible notes		(1,170)		(1,170)
Fair value adjustment of preferred stock warrant liability		582		1,309
Fair value adjustment of derivative liability		(2,692)		(2,291)
Other income, net	7	29	4	29
Net loss	\$ (9,187)	\$ (14,897)	\$ (14,857)	\$ (16,699)
Net Loss Attributable to Common Stockholders	\$ (9,187)	\$ (14,897)	\$ (14,857)	\$ (16,699)
Net loss per share attributable to common stockholders, basic and diluted	\$ (0.62)	\$ (5.77)	\$ (1.01)	\$ (12.00)
Weighted average shares used to compute basic and diluted net loss per share attributable to common stockholders	14,804,606	2,580,144	14,779,244	1,391,048

The accompanying footnotes are an integral part of these condensed consolidated financial statements.

Table of Contents**PULMATRIX, INC.****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS****(unaudited)****(in thousands)**

	For the Six Months Ended June 30,	
	2016	2015
Cash flows from operating activities:		
Net loss	\$ (14,857)	\$ (16,699)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	117	122
Write-off of intangible assets, net of tax provision	4,575	
Stock-based compensation	2,402	2,745
Stock issued for consulting services in connection with the Merger		4,248
Non-cash rent expense	22	20
Non-cash interest expense	103	511
Non-cash debt issuance expense	8	
Fair value adjustment on preferred stock warrant liability		(1,309)
Fair value adjustment on derivative liability		2,291
Loss on conversion of convertible notes		1,170
Loss on disposal of property and equipment		8
Changes in operating assets and liabilities:		
Prepaid expenses and other current assets	550	18
Accounts payable	(561)	69
Accrued expenses	(347)	727
Restricted cash	46	(3)
Net cash used in operating activities	(7,942)	(6,082)
Cash flows from investing activities:		
Cash acquired from the merger transaction		9,671
Purchases of property and equipment	(172)	(50)
Net cash (used in) provided by investing activities	(172)	9,621
Cash flows from financing activities:		
Proceeds from issuance of common stock and warrants		10,000
Proceeds from exercise of stock options		150
Proceeds from issuance of convertible promissory notes		4,457
Proceeds from issuance of term loan		6,910
Net cash provided by financing activities		21,517

Net increase in cash and cash equivalents	(8,114)	25,056
Cash and cash equivalents beginning of period	18,902	451
Cash and cash equivalents end of period	\$ 10,788	\$ 25,507
Supplemental disclosures of non - cash financing and investing activities:		
Fixed asset purchases in accounts payable at quarter-end	\$ 135	\$
Conversion of convertible notes and accrued interest into common stock	\$	\$ 43,060
Fair value of assets and liabilities acquired in the Merger:		
Fair value of assets acquired in Merger	\$	\$ 23,772
Fair value of liabilities assumed in Merger	\$	\$ (3,022)
Fair value of net assets acquired in the Merger	\$	\$ 20,750

The accompanying footnotes are an integral part of these condensed consolidated financial statements.

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PULMATRIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2016

(unaudited)

(in thousands, except share and per share data)

1. Organization

On June 15, 2015 (the Effective Time), Pulmatrix Operating Company, Inc., a Delaware corporation previously known as Pulmatrix Inc. (Pulmatrix Operating), completed its merger with Ruthigen Merger Corp. (Merger Sub), a wholly owned subsidiary of Pulmatrix, Inc., a Delaware corporation previously known as Ruthigen, Inc. (Ruthigen), pursuant to the terms of the Agreement and Plan of Merger (the Merger Agreement), dated March 13, 2015, by and among Pulmatrix Operating, Merger Sub and Pulmatrix, Inc. (the Merger).

Prior to the Merger, Ruthigen was a biopharmaceutical company focused on pioneering new hypochlorous acid, or HOCl, based therapies designed to improve patient outcomes and reduce healthcare costs associated with infections related to post-operative invasive procedures. Following the Merger, Pulmatrix, Inc. and its subsidiaries (the Company) is a clinical stage biotechnology company focused on the discovery and development of a novel class of inhaled therapeutic products. The Company's proprietary dry powder delivery platform, iSPERSE (inhaled Small Particles Easily Respirable and Emitted), is engineered to deliver small, dense particles with highly efficient dispersibility and delivery to the airways, which can be used with an array of dry powder inhaler technologies and can be formulated with a variety of drug substances. The Company is developing a pipeline of iSPERSE-based therapeutic candidates targeted at prevention and treatment of a range of respiratory diseases and infections with significant unmet medical needs.

The term Company as used in these notes to the condensed consolidated financial statements refers to Pulmatrix Operating prior to the completion of the Merger and Pulmatrix, Inc. subsequent to the completion of the Merger.

Liquidity

At June 30, 2016, the Company had unrestricted cash and cash equivalents of \$10,788, an accumulated deficit of \$142,960 and working capital of \$7,689. The Company believes that it can continue as a going concern as its cash resources at June 30, 2016, combined with anticipated additional non-dilutive financing will be sufficient to allow the Company to fund its current operating plan through the required minimum period of at least the next twelve months from the date of filing this report. There can be no assurance, however, that the current operating plan will be achieved in the timeframe anticipated by the Company, or that its cash resources will fund the Company's operating plan for the period anticipated by the Company or that additional funding will be available on terms acceptable to the Company, or at all.

2. Basis of Presentation

The accompanying unaudited condensed consolidated financial statements of the Company have been prepared on a going concern basis in accordance with accounting principles generally accepted in the United States (GAAP) for interim financial reporting and as required by Regulation S-X, Rule 10-01. Accordingly, they do not include all of the

information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments (including those which are normal and recurring) considered necessary for a fair presentation of the interim financial information have been included. When preparing financial statements in conformity with GAAP, the Company must make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, expenses and related disclosures at the date of the financial statements. Actual results could differ from those estimates. Additionally, operating results for the three and six months ended June 30, 2016, are not necessarily indicative of the results that may be expected for any other interim period or for the fiscal year ending December 31, 2016. For further information, refer to the financial statements and footnotes included in the Company's annual financial statements for the fiscal year ended December 31, 2015, which are included in the Company's annual report on Form 10-K filed with the SEC on March 10, 2016.

Table of Contents*Merger and Exchange Ratio*

The Merger has been accounted for as a reverse merger under the acquisition method of accounting for business combinations with Pulmatrix Operating treated as the accounting acquirer of Ruthigen. The historical financial statements of Pulmatrix Operating have become the historical financial statements of the Company, or the combined company, and are included in this filing labeled Pulmatrix, Inc. As a result of the Merger, historical common stock, stock options and additional paid-in capital, including share and per share amounts, have been retroactively adjusted to reflect the equity structure of the combined company, including the effect of the Merger exchange ratio and the common stock par value of \$0.0001 per share. See Note 4, Merger, for additional discussion of the Merger and the exchange ratio.

Reverse Stock Split

On June 15, 2015, following the Effective Time, the Company effected a 1-for-2.5 reverse stock split (the Reverse Stock Split) of its outstanding common stock, par value \$0.0001 per share (Company Common Stock). The accompanying condensed consolidated financial statements and notes to the condensed consolidated financial statements, including the Merger exchange ratio (Note 4) applied to historical Pulmatrix Operating common stock and stock options unless otherwise noted, give retroactive effect to the Reverse Stock Split for all periods presented. The shares of Company Common Stock retained a par value of \$0.0001 per share.

3. Summary of Significant Accounting Policies

In the six months ended June 30, 2016, there were no changes to the Company's significant accounting policies identified in the Company's most recent annual financial statements for the fiscal year ended December 31, 2015, which are included in the Company's current report on Form 10-K filed with the SEC on March 10, 2016, except as noted below.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers* (ASU 2014-09), which requires an entity to recognize revenue at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to customers. ASU 2014-09 will replace most existing revenue recognition guidance in GAAP when it becomes effective. The new standard is effective in the annual period ending December 31, 2017, including interim periods within that annual period. Early application is not permitted. The standard permits the use of either the retrospective or cumulative effect transition method. The Company is currently evaluating the impact of its pending adoption of this standard on its condensed consolidated financial statements and related disclosures.

In August 2014, the FASB issued ASU No. 2014-15, *Presentation of Financial Statements – Going Concern* (ASU 2014-15), which requires management to evaluate whether there is substantial doubt about the entity's ability to continue as a going concern and, if so, disclose that fact. Management will also be required to evaluate and disclose whether its plans alleviate that doubt. The standard defines substantial doubt as when it is probable (i.e., likely) that the entity will be unable to meet its obligations as they become due within one year of the date the financial statements are issued (or available to be issued, when applicable). The ASU is effective for the annual period ending December 31, 2016 and interim periods thereafter. Early application is permitted. The standard permits the use of either the retrospective or cumulative effect transition method. The Company has adopted this standard and its impact on its condensed consolidated financial statements and related disclosures was immaterial.

The FASB issued ASU 2016-02, *Leases (Topic 842)*. ASU 2016-02 requires that a lessee recognize the assets and liabilities that arise from operating leases. A lessee should recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election by class of underlying asset not to recognize lease assets and lease liabilities. In transition, lessees and lessors are required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. Public business entities should apply the amendments in ASU 2016-02 for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years (i.e., January 1, 2019, for a calendar year entity). Early application is permitted for all public business entities and all nonpublic business entities upon issuance. The adoption of this standard is not expected to have a material impact on the Company's condensed consolidated financial position and results of operations.

In March 2016, the FASB issued ASU No. 2016-09 (ASU 2016-09), Compensation Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting. ASU 2016-09 will affect all entities that issue share-based payment awards to their employees and is effective for annual periods beginning after December 15, 2016 for public entities. The areas for simplification in ASU 2016-09 involve several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. The Company is currently evaluating the effect that ASU 2016-09 will have on the Company's financial position and results of operations.

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In April 2016, the FASB issued ASU No. 2016-10 (ASU 2016-10), Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing. ASU 2016-10 will affect all entities that enter into contracts with customers to transfer goods or services (that are an output of the entity's ordinary activities) in exchange for consideration. The amendments in this update affect the guidance in ASU 2014-09 which is not yet effective, the amendments in this update clarify the following two aspects of Topic 606: identifying performance obligations and the licensing implementation guidance, while retaining the related principles for those areas. The effective date and transition requirements for the amendments in this update are the same as the effective date and transition requirements for ASU 2014-09. The Company is currently evaluating the effect that ASU 2016-10 will have on the Company's financial position and results of operations.

In May 2016, the FASB issued ASU No. 2016-12 (ASU 2016-12), Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients. ASU 2016-12 will affect all entities that enter into contracts with customers to transfer goods or services (that are an output of the entity's ordinary activities) in exchange for consideration. The amendments in this update affect the guidance in ASU 2014-09 which is not yet effective, the amendments in this update affect narrow aspects of Topic 606 including among others: assessing collectability criterion, noncash consideration, and presentation of sales taxes and other similar taxes collected from customers. The effective date and transition requirements for the amendments in this update are the same as the effective date and transition requirements for ASU 2014-09. The Company is currently evaluating the effect that ASU 2016-12 will have on the Company's financial position and results of operations.

Use of Estimates

In preparing financial statements in conformity with GAAP, management is required 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, as well as the reported amounts of expenses during the reporting period. Due to inherent uncertainty involved in making estimates, actual results may differ from these estimates. On an ongoing basis, the Company evaluates its estimates and assumptions. These estimates and assumptions include valuing equity securities in share-based payments, estimating fair value of equity instruments recorded as derivative liabilities, estimating the fair value of net assets acquired in business combinations, estimating the useful lives of depreciable and amortizable assets, valuation allowance against deferred tax assets, goodwill impairment, and estimating the fair value of long-lived assets to assess whether impairment charges may apply.

Revenue Recognition

Our principal sources of revenue are income from fees for services. In all instances, revenue is recognized only when the price is fixed or determinable, persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered, and collectability of the resulting receivable is reasonably assured.

Goodwill

Goodwill represents the difference between the consideration transferred and the fair value of the net assets acquired and liabilities assumed under the acquisition method of accounting for push-down accounting. Goodwill is not amortized but is evaluated for impairment within the Company's single reporting unit on an annual basis, during the fourth quarter, or more frequently if an event occurs or circumstances change that would more likely than not reduce the fair value of the Company's reporting unit below its carrying amount. When performing the impairment assessment, the accounting standard for testing goodwill for impairment permits a company to first assess the qualitative factors to determine whether the existence of events and circumstances indicates that it is more likely than not that the goodwill is impaired. If the Company believes, as a result of the qualitative assessment, that it is more

likely than not that the fair value of goodwill is impaired, the Company must perform the first step of the goodwill impairment test. The Company has determined that goodwill was not impaired as of June 30, 2016.

In-process Research & Development

In-process research & development (IPR&D) represents the fair value assigned to research and development assets that were not fully developed at the date of acquisition. IPR&D acquired in a business combination or recognized from the application of push-down accounting is capitalized on the Company's consolidated balance sheet at its acquisition-date fair value. Until the project is completed, the assets are accounted for as indefinite-lived intangible assets and subject to impairment testing. Upon completion of a project, the carrying value of the related IPR&D is reclassified to intangible assets and is amortized over the estimated useful life of the asset.

When performing the impairment assessment, the Company first assesses qualitative factors to determine whether it is necessary to recalculate the fair value of its acquired IPR&D. If the Company believes, as a result of the qualitative assessment, that it is more likely than not that the fair value of acquired IPR&D is less than its carrying amount, it calculates the asset's fair value. If the carrying value of the Company's acquired IPR&D exceeds its fair value, then the intangible asset is written down to its fair value.

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As described in Note 1, on June 15, 2015, the Company completed the Merger with Pulmatrix Operating. Pursuant to the Merger Agreement, each outstanding share of capital stock of Pulmatrix Operating was exchanged for 0.148187124066461 pre-Reverse Stock Split shares of Company Common Stock (the Exchange Ratio). All Pulmatrix Operating stock options granted under the Pulmatrix Operating stock option plans (whether or not then exercisable) that were outstanding prior to the Effective Time converted into options to purchase Company Common Stock at the same ratio as described below. Immediately prior to the Effective Time, the outstanding shares of convertible preferred stock of Pulmatrix Operating converted into an aggregate of 70,105,854 shares (pre-Reverse Stock Split and before giving effect to the Exchange Ratio) of Pulmatrix Operating common stock, which shares were exchanged in the Merger for an aggregate of 4,155,539 shares of Company Common Stock, and convertible debt of Pulmatrix Operating converted into an aggregate of 86,118,402 shares of Pulmatrix Operating common stock (pre-Reverse Stock Split and before giving effect to the Exchange Ratio), which shares were exchanged in the Merger for an aggregate of 5,104,655 shares of Company Common Stock. All outstanding Pulmatrix Operating preferred stock warrants were cancelled immediately prior to the Effective Time. In addition, immediately following the Effective Time the Company issued 664,559 shares of Company Common Stock in exchange for \$4,500 aggregate principal amount of notes (2015 Bridge Notes) assumed by the Company in the Merger.

All Pulmatrix Operating stock options granted under the Pulmatrix Operating stock option plans (whether or not then exercisable) that were outstanding at the Effective Time converted into options to purchase Company Common Stock. After the Effective Time, all outstanding and unexercised Pulmatrix Operating stock options assumed by the Company may be exercised solely for shares of Company Common Stock. The number of shares of Company Common Stock subject to each Pulmatrix Operating stock option assumed by the Company was determined by multiplying (a) the number of shares of Pulmatrix Operating common stock that were subject to such Pulmatrix Operating stock option, as in effect immediately prior to the Effective Time, by (b) the Exchange Ratio, and rounding the resulting number down to the nearest whole number of shares of Company Common Stock. The per share exercise price for the Company Common Stock issuable upon exercise of each Pulmatrix Operating stock option assumed by the Company was determined by dividing (a) the per share exercise price of Pulmatrix Operating common stock subject to such Pulmatrix Operating stock option, as in effect immediately prior to the Effective Time, by (b) the Exchange Ratio and rounding the resulting exercise price up to the nearest whole cent.

As a result of the Merger, the vesting of 67,732 restricted stock units and 24,400 options granted prior to the Merger by Ruthigen under the Ruthigen 2013 Employee, Director and Consultant Equity Incentive Plan was accelerated. The acceleration clause was included as part of the original terms of the equity awards.

The Merger has been accounted for as a reverse acquisition under the acquisition method of accounting with Pulmatrix Operating treated as the accounting acquirer and Ruthigen treated as the acquired company for financial reporting purposes. Pulmatrix Operating was determined to be the accounting acquirer based upon the terms of the Merger and other factors, such as relative voting rights and the composition of the combined company's board of directors and senior management. Accordingly, the Ruthigen tangible and identifiable intangible assets acquired and liabilities assumed were recorded at fair value as of the date of acquisition, with the excess consideration transferred recorded as goodwill.

See Note 11, Stock-Based Compensation, for additional details regarding the accounting treatment for the equity awards of Pulmatrix Operating and Ruthigen.

The acquisition-date fair value of the consideration transferred is as follows:

Number of shares of Company Common Stock owned by Ruthigen stockholders (1)	2,404,835
Multiplied by the price per share of Company Common Stock (2)	\$ 12.65
Total consideration transferred	\$ 30,422

- (1) The stock transferred in the table above is calculated as the sum of a) 1,921,716 shares of Company Common Stock outstanding at the time of the Merger, b) 379,387 shares of Company Common Stock issued immediately following the closing of the Merger in a private placement, c) 36,000 shares of Company Common Stock issued to certain employees, pursuant to the terms of the Merger Agreement and d) 67,732 shares of Company Common Stock issued pursuant to restricted stock units that became fully vested upon completion of the Merger.
- (2) The shares outstanding are multiplied by the closing trading price of Company Common Stock as of the Merger date.

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The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the date of acquisition:

Cash and cash equivalents	\$ 9,671
In-process research and development	7,534
Goodwill	15,942
Property and equipment	156
Prepaid and other current assets	141
Total assets acquired	33,444
Accrued expenses and other current liabilities	(63)
Deferred tax liability	(2,959)
Total liabilities assumed	(3,022)
Total net assets acquired	\$ 30,422

For acquired working capital accounts such as prepaid expenses and other current assets, property and equipment, accounts payable and certain accrued expenses, the Company determined that no fair value adjustments were required due to the short timeframe until settlement for these assets and liabilities.

The acquired IPR&D consisted of RUT58-60, a proprietary formulation of HOC1 and Ruthigen's lead drug candidate, which was designed to prevent and treat infection in invasive applications. RUT58-60 was developed in collaboration with Ruthigen's former parent, Oculus Innovative Sciences, Inc. (Oculus), under a license agreement. Concurrent with entering into the Merger Agreement, Pulmatrix, Ruthigen and Oculus entered into a side letter agreement that clarified certain rights and obligations of each party following the closing date of the Merger with respect to certain agreements previously executed between Ruthigen and Oculus, including the license agreement. Under the terms of the side letter agreement, the Company's obligation to develop and commercialize RUT58-60 was waived for one year following the Merger closing date. Also under the terms of the agreement, the Company may sell its rights to develop RUT58-60 if it receives at least \$1,000 therefor, and Oculus has a right of first refusal with respect to any offers to purchase RUT58-60, such that Oculus could elect to purchase RUT58-60 for identical terms negotiated with a prospective buyer. In the event that the Company sells its rights to develop RUT58-60 for an amount in excess of \$10,000, the Company must pay 10% of the gross consideration received to Oculus.

The fair value of the IPR&D was determined using a discounted cash flow analysis of the expected cash flows to be generated by the IPR&D over its remaining life, net of returns on contributory assets including working capital and real and personal property assets. A discount rate of 26.6% was used in the analysis. The resulting present value of the cash flows was combined with the estimated present value of the amortization tax benefit that a purchaser of the asset could be expected to receive to arrive at the estimated fair value of the IPR&D. The Company believes the assumptions used are consistent and representative of those a market participant would use in estimating the fair value of the IPR&D. If, at the end of the one year waiver period, the Company has not been successful in finding a buyer for RUT58-60, Oculus will have the right to cancel the license agreement and reclaim all rights to RUT58-60. As a sale of RUT58-60 did not take place within the waiver period, the Company revalued its IPR&D of \$7,534 to \$0 in a complete write-off as of June 30, 2016.

Goodwill is calculated as the difference between the acquisition-date fair value of the consideration transferred and the fair values of the assets acquired and liabilities assumed. The goodwill is not expected to be deductible for income tax purposes. Goodwill is recorded as an indefinite-lived asset and is not amortized but tested for impairment on an annual basis or when indications of impairment exist.

The deferred tax liability of \$2,959 relates to the temporary difference associated with the \$7,534 value of the IPR&D asset, which is not deductible for tax purposes. The deferred tax liability was recorded based on a 39.28% effective tax rate. A full write-off of the deferred tax liability was recorded on June 15, 2016, as the term for the license agreement has terminated.

The Company incurred a total of \$6,863 in transaction costs in connection with the Merger, excluding Ruthigen transaction costs, which were included in general and administrative expense within the consolidated statements of operations for the six months ended June 30, 2015.

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The following supplemental unaudited pro forma information presents the Company's financial results as if the acquisition of Ruthigen had occurred on January 1, 2015:

	Six months ended June 30, 2015
Total revenues, net	\$ 275
Net loss	(9,625)

The above unaudited pro forma information was determined based on the historical GAAP results of the Company and Ruthigen. The unaudited pro forma consolidated results are not necessarily indicative of what the Company's consolidated results of operations actually would have been if the acquisition was completed on January 1, 2015. The unaudited pro forma consolidated net loss includes pro forma adjustments primarily relating to the following non-recurring items directly attributable to the business combination:

- (1) Inclusion of \$9,956 of transaction costs for both the Company and Ruthigen from the six months ended June 30, 2015;
- (2) Elimination of \$901 of stock-based compensation expense related to the acceleration of vesting of previously unvested Ruthigen awards in connection with the Merger from the six months ended June 30, 2015;
- (3) Elimination of \$995 of expense related to stay bonuses from the six months ended June 30, 2015;
- (4) Elimination of \$1,309 of other income and \$2,291 of other expense related to the change in the fair values of liability-classified warrants and derivative instruments from the six months ended June 30, 2015, respectively, as the Company's outstanding preferred stock warrants and certain derivative instruments were extinguished in connection with the completion of the Merger;
- (5) Inclusion of \$1,170 loss on conversion of convertible notes from the six months ended June 30, 2015, as the Company's 2015 Bridge Notes were automatically converted to equity upon completion of the Merger; and
- (6) Elimination of \$477 of interest expense related to our convertible notes, including the 2015 Bridge Notes, from the six months ended June 30, as all of the Company's outstanding convertible notes were automatically converted to equity in connection with the closing of the Merger.

5. Goodwill and IPR&D

The Company recognized \$15,942 of goodwill in connection with the Merger as discussed in Note 4. As of June 30, 2016, there were no accumulated impairment losses. Goodwill has been assigned to the Company's single reporting unit, which is the single operating segment by which the chief decision maker manages the Company.

As discussed in Note 4, Pulmatrix was unsuccessful in selling the rights to RUT58-60 and the related license rights expired on June 15, 2016. With the expiration of the term for the license agreement, the IPR&D and related deferred tax liability were written off on June 15, 2016. At June 30, 2016, the Company performed a goodwill qualitative assessment and concluded that it was more likely than not that there was no impairment of goodwill.

The Company recognized \$7,534 of IPR&D in connection with the Merger as discussed in Note 4. The acquired IPR&D consisted of RUT58-60, a proprietary formulation of HOC1 and Ruthigen's lead drug candidate, which was designed to prevent and treat infection in invasive applications. The IPR&D will be classified as an intangible asset on the condensed consolidated balance sheet and until the project is completed, the assets will be accounted for as indefinite-lived intangible assets.

\$7,534 of accumulated write-off losses associated with intangible assets were recorded during the three months ended June 30, 2016.

6. Prepaid Expenses and Other Current Assets

Prepaid expenses consisted of the following:

	At June 30, 2016	At December 31, 2015
Prepaid Insurance	\$ 355	\$ 220
Prepaid Clinical Trials	153	169
Prepaid Other	36	92
Accounts Receivable	260	275
Deferred Costs		598
Other current assets	206	206
Total prepaid and other current assets	\$ 1,010	\$ 1,560

7. Debt

Loan and Security Agreement and Warrant Agreement

On June 11, 2015, the Company entered into a Loan and Security Agreement (LSA) with Hercules Technology Growth Capital, Inc. (Hercules), for a term loan in a principal amount of \$7,000 (Term Loan). On June 15, 2015, following the completion of the Merger, the Company signed a joinder agreement with Hercules making it a co-borrower under the LSA. The entire term loan was funded on June 16, 2015. The term loan is secured by substantially all of the Company's assets, excluding intellectual property.

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The term loan bears interest at a floating annual rate equal to the greater of (i) 9.50% and (ii) the sum of (a) the prime rate as reported by The Wall Street Journal minus 3.25% plus (b) 8.50%. The Company is required to make interest payments in cash on the first business day of each month, beginning on July 1, 2015. Beginning on August 1, 2016, the Company will be required to make monthly payments on the first business day of each month consisting of principal and interest based upon a 30-month amortization schedule, and any unpaid principal and interest is due on the maturity date of July 1, 2018. Upon repayment of the term loan, the Company is also required to pay an end of term charge to the Lenders equal to \$245.

The Company may elect to prepay all, but not less than all, of the outstanding principal balance of the term loan, subject to a prepayment fee of 1% - 3%, depending on the date of repayment. Contingent on the occurrence of several events, including that the Company's closing stock price exceed \$11.73 per share for the seven days preceding a payment date, the Company may elect to pay, in whole or in part, any regularly scheduled installment of principal up to an aggregate maximum amount of \$1,000 by converting a portion of the principal into shares of the Company's common stock at a price of \$11.73 per share. Hercules may elect to receive payments in the Company Common Stock by requiring the Company to effect a conversion option whereby Hercules can elect to receive a principal installment payment in shares of the Company Common Stock based on a price of \$11.73 per share, subject to an aggregate maximum principal amount of \$1,000.

The Company determined that the Company's provisions allowing conversion of all or a portion of the LSA contained a beneficial conversion feature (BCF). The BCF is contingent upon the occurrence of certain events and as such, the Company will not record the BCF until the contingency is resolved. Through June 30, 2016 the contingency was not resolved.

The credit facility includes affirmative and negative covenants. The affirmative covenants include, among others, covenants requiring the Company to maintain its legal existence and governmental approvals, deliver certain financial reports and maintain insurance coverage. The negative covenants include, among others, restrictions on transferring collateral, incurring additional indebtedness, engaging in mergers or acquisitions, paying dividends or making other distributions, making investments, creating liens, selling assets, and undergoing a change in control, in each case subject to certain exceptions. In general, the Term Loan prohibits the Company from (i) repurchasing or redeeming any class of capital stock, including common stock or (ii) declaring or paying any cash dividend or making cash distribution on any class of capital stock, including common stock.

In connection with the making of the term loan the Company agreed that Hercules shall have the right to purchase up to \$1,000 of securities, under terms and conditions equal to those afforded to other investors, in the event that the Company conducts a private placement for \$10,000 or more of securities after the closing date.

On June 16, 2015, in connection with the LSA, the Company granted to Hercules a warrant to purchase 25,150 shares of the Company's common stock at an exercise price of \$8.35 per share. The warrants are exercisable in whole or in part any time prior to the expiration date of June 16, 2020. At any point prior to the expiration of the warrants, Hercules may elect to convert all or a portion of the warrants into Company Common Stock on a net basis. In the event the warrants are not fully exercised and the fair market value of one share of Company Common Stock is greater than the exercise price of the warrant, upon the expiration date any outstanding warrants will be automatically exercised for shares of Company Common Stock on a net basis.

The LSA includes provisions requiring the embedded interest rate reset upon an event of default and the put option upon an event of default or qualified change of control each represent an embedded derivative instrument requiring bifurcation from the loan. The embedded derivatives were bundled and valued as one compound derivative in accordance with the applicable accounting guidance for derivatives and hedging. The fair value of the compound

derivative at issuance of \$11 was recorded as a derivative liability and as a discount to the debt. The derivative liability is remeasured at fair value at each reporting date, with changes in fair value being recorded as other income (expense) in the statements of operations (Note 12). The net debt discounts resulting from the embedded compound derivative and lender fees are being amortized as interest expense from the date of issuance through the maturity date using the effective interest method. The Company incurred interest expense of \$224 and \$448 during the three and six months ended June 30, 2016, respectively of which \$173 and \$174, respectively, was payable in cash. The Company incurred interest expense of \$34 and \$34 during the three and six months ended June 30, 2015, respectively of which \$27 and \$27, respectively, was payable in cash.

The carrying amounts of the Company's Term Loan as of June 30, 2016 and December 31, 2015 were as follows:

		Hercules Term			
		Loan	Debt Discount	Issuance Costs	Total
Balance	December 31, 2015	\$ 7,000	\$ (248)	\$ (31)	\$ 6,721
	Accretion of debt discount		52		52
	Accretion of issuance costs			8	8
Balance	June 30, 2016	\$ 7,000	\$ (196)	\$ (23)	6,781
	Current portion of debt, net of debt discount and carrying costs				2,233
	Loan Payable, net of current portion and carrying costs				\$ 4,548

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Future principal payments in connection with the Term Loan are as follows:

Remainder of 2016	\$ 1,046
2017	2,698
2018	3,256
	\$ 7,000

Interest expense for the six months ended June 30, 2016 and 2015 consisted of the following:

	For the three months ended		For the six months ended	
	June 30, 2016	2015	June 30, 2016	2015
Hercules Term Loan	\$ 224	\$ 34	\$ 448	\$ 34
Notes, including 5X Notes				18
2015 Bridge Notes		293		459
	\$ 224	\$ 327	\$ 448	\$ 511

8. Accrued Expenses and Other Current Liabilities

Accrued expenses consisted of the following:

	At June 30, 2016	At December 31, 2015
Accrued vacation	\$ 89	\$ 45
Accrued wages and incentive	456	673
Accrued clinical & consulting	464	622
Accrued legal & patent	44	62
Accrued end of term fee	106	55
Deferred Rent	25	4
Accrued other expenses	28	25
Total accrued expenses	\$ 1,212	\$ 1,486

9. Common Stock*Pulmatrix Operating Private Placement*

On June 15, 2015, immediately prior to the Effective Time, pursuant to a securities purchase agreement between the Company and certain existing investors of the Company dated March 13, 2015, the Company sold to such investors 24,538,999 units, with each unit consisting of (i) one share of Pulmatrix Operating's common stock and (ii) a warrant

representing the right to purchase 2.193140519 shares of Pulmatrix Operating common stock at an exercise price of \$0.448266 per share (each pre-Reverse Stock Split and before giving effect to the Exchange Ratio), for aggregate gross proceeds of \$10,000 (the Pulmatrix Operating Private Placement). Upon the Effective Time, the Pulmatrix Operating common stock underlying the units was exchanged for an aggregate of 1,454,553 shares of Company Common Stock, and the warrants underlying the units were converted into warrants to purchase an aggregate of 3,190,030 shares of Company Common Stock at an exercise price of \$7.563 per share. The proceeds from the issuance of the units were allocated between the Company Common Stock and the warrants based on their relative fair values.

Ruthigen Private Placement

Immediately after the Effective Time, the Company closed a private placement of 379,387 shares of Company Common Stock at a price of \$6.875 per share in a private placement for aggregate gross proceeds of approximately \$2.6 million (the Ruthigen Private Placement).

Table of Contents**10. Warrants***Common Stock Warrants Issued in Pulmatrix Operating Private Placement*

At June 30, 2016, the Company had outstanding warrants to purchase 3,190,030 shares of Company Common Stock at an exercise price of \$7.563 per share. The warrants were issued on June 15, 2015 immediately prior to the Effective Time in connection with the Pulmatrix Operating Private Placement.

Each warrant issued in the Pulmatrix Operating Private Placement has a five-year term and becomes exercisable at the earliest to occur of the date that (i) the Company enters into a strategic license agreement with a third party related to any of the Company's products whereby the Company is guaranteed to receive consideration having a value of at least \$20,000, (ii) the Company consummates a public or private offering of common stock or securities convertible into common stock that results in aggregate gross proceeds of at least \$20,000 and the per share value of such consideration is equal to at least \$10.00 per share, subject to certain adjustments, (iii) for a period of sixty consecutive trading days, the volume weighted average price per share of common stock exceeds \$12.50, subject to certain adjustments, and the average daily trading volume on such trading market exceeds 40,000 shares per trading day, subject to certain adjustments, or (iv) a change of control transaction occurs. The number of shares of common stock underlying each warrant and the exercise price per share are subject to adjustment in the case of standard dilutive events.

Each warrant provides that, following it initially becoming exercisable, if (i) the volume weighted average price of common stock exceeds one hundred fifty percent (150%) of the exercise price of the warrant for thirty (30) consecutive trading days, (ii) the daily trading volume for common stock exceeds 80,000 shares per trading day, subject to certain adjustments, for thirty (30) consecutive trading days and (iii) there is an effective registration statement under the Securities Act of 1933, as amended, covering the resale of the shares of common stock issuable upon the exercise of the warrant, then the Company shall cancel the unexercised portion of the warrant for consideration equal to \$0.001 per share of common stock underlying the warrant.

The proceeds from the issuance of the units were allocated between the Company Common Stock and the warrants based on their relative fair values. The value allocated to the warrants was classified within equity on Company's condensed consolidated balance sheet.

Warrants Assumed in Merger.

Between March 2014 and May 2014, in connection with its initial public offering (IPO), Ruthigen issued warrants to purchase an aggregate of units (the Series A Warrants). The Series A Warrants were originally each exercisable at a price of \$18.125 per warrant for (x) 0.4 shares of common stock and (y) a warrant (the Series B Warrant) to purchase 0.4 shares of common stock at an exercise price of \$22.65625 per share. The Series A Warrants are exercisable from the date of issuance and terminate on the second anniversary of the date of issuance. The exercise price and the number of shares for which each Series A Warrant may be exercised is subject to adjustment in the event of stock dividends, stock splits, reorganizations or similar events affecting the Company's common stock. In addition, subject to certain exceptions, the exercise price of each the Series A Warrants and the Series B Warrants is subject to a weighted average reduction if the Company issues shares of common stock (or securities convertible into common stock) in the future at a price below both (a) the current exercise price of the Series A Warrant; and (b) the current market price of the Company's common stock. The Series A Warrants may be called by the Company, for consideration equal to \$0.00025 per Series A Warrant, on not less than 10 business days' notice if the closing price of the common stock is above 150% of the \$18.125 IPO price per unit for any period of 20 consecutive business days ending not more than three business days prior to the call notice date. The Series B Warrants will be exercisable upon

issuance and will terminate on the fifth anniversary of the date of issuance. The Company agrees that, during the period the Series A Warrants are outstanding, it will maintain the effectiveness of the registration statement such that the holder may exercise the Series A Warrants to receive registered shares of common stock and registered Series B Warrants (and the shares of common stock underlying the Series B Warrants). The Company determined that the Series A and Series B Warrants are equity instruments because the warrants are (a) freestanding financial instruments; (b) indexed to the Company's own stock; (c) not permitted to be settled for cash; and (d) exercisable into common stock for which the Company has sufficient authorized and unissued shares.

Immediately following the Merger, the Company issued 136,000 shares of its common stock to Ruthigen's financial advisor and an aggregate of 379,387 shares in the Ruthigen Private Placement at a price of \$6.875 per share. Pursuant to the weighted average exercise price reduction provisions of the Series A Warrants and the Series B Warrants, these issuances caused the exercise price per unit of the Series A Warrants and the exercise price per share of the Series B Warrants to drop to \$17.83 and \$22.28.

1,219,000 Series A Warrants were outstanding at December 31, 2015. There were no exercises of any Series A Warrants prior to March 26, 2016 and they expired according to their terms on March 26, 2016. As no Series A Warrants were exercised, no Series B Warrants were issued. There are no Series A nor Series B Warrants outstanding at June 30, 2016.

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Ruthigen issued to the representative of the underwriters in the IPO warrants to purchase 37,100 shares of the Company's common stock at an exercise price of \$22.65625 per share (the Representative's Warrants). The Representative's Warrants are exercisable commencing on March 21, 2015 and expire on March 21, 2019.

Following the closing of the IPO and in connection with the IPO, the underwriters exercised a portion of the over-allotment option. In connection with the underwriters' partial exercise of the over-allotment option, Ruthigen issued to the representative of the underwriters a five-year warrant to purchase an additional 2,160 shares of the Company's common stock at an exercise price of \$22.65625 per share (Underwriter's Warrant). The Underwriter's Warrant is exercisable commencing one year from the date of issuance.

Common Stock Warrants Issued with Term Loan

As described in Note 7, on June 11, 2015, Pulmatrix Operating entered into a LSA with Hercules for a Term Loan in the principal amount of \$7,000. On June 16, 2015, in connection with the LSA, the Company granted to Hercules a warrant to purchase 25,150 shares of Company Common Stock (the Hercules Warrants) at an exercise price of \$8.35 per share. The warrants are exercisable in whole or in part any time prior to the expiration date of June 16, 2020. In the event the warrants are not fully exercised and the fair market value of one share of Company Common Stock is greater than the exercise price of the warrant, upon the expiration date any outstanding warrants will be automatically exercised for shares of Company Common Stock on a net basis. A portion of the proceeds from the Term Loan were allocated to the warrants based on their grant date fair value. The value allocated to the warrants of \$198 was classified within equity on Company's condensed consolidated balance sheet, with a corresponding amount recorded as a discount to the debt. The fair value of the warrants was determined using the Black-Scholes option pricing model, using the following assumptions:

Exercise price	\$ 8.35
Fair value of underlying stock	\$ 11.80
Expected volatility	72.52%
Contractual term	5 years
Risk-free interest rate	1.68%
Expected dividend yield	0%

Common Stock Warrant Issued for Consulting Services

On August 31, 2015, the Company issued a warrant to purchase 30,000 shares of Company Common Stock (the MTS Warrants) at an exercise price of \$11.80 per share to MTS Health Partners, L.P. in exchange for consulting services. The warrant is fully vested and is exercisable in whole or in part any time prior to the expiration date of August 31, 2020. The Company recognized \$211 of stock-based compensation expense which was recorded to equity at the time of issuance. The fair value of the warrant was determined using the Black-Scholes option pricing model, using the following assumptions:

Exercise price	\$ 11.80
Fair value of underlying stock	\$ 11.80
Expected volatility	72.0%
Contractual term	5 years
Risk-free interest rate	1.54%

Expected dividend yield

0%

The risk-free interest rate was obtained from U.S. Treasury rates for the applicable periods. The Company's expected volatility was based upon the historical volatility for industry peers and used an average of those volatilities. The expected life of the Company's options was determined using the simplified method as a result of limited historical data regarding the Company's activity. The dividend yield considers that the Company has not historically paid dividends, and does not expect to pay dividends in the foreseeable future.

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The following represents a summary of the warrants outstanding at each of the dates identified:

Warrants	Issue Date	Classification	Exercisable For	Number of Shares Underlying Warrants	
				June 30, 2016	December 31, 2015
Private Placement Warrants	June 15, 2015	Equity	Common Stock	3,190,030	3,190,030
Hercules Warrants	June 15, 2015	Equity	Common Stock	25,150	25,150
MTS Warrants	August 31, 2015	Equity	Common Stock	30,000	30,000

Warrants Assumed in**Merger**

Series A Warrants	March - May 2014	Equity	Common Stock		1,219,000
Representative s Warrants	March 2014	Equity	Common Stock	37,100	37,100
Underwriter s Warrants	March 2014	Equity	Common Stock	2,160	2,160

11. Stock-Based Compensation

The Company sponsors the Ruthigen, Inc. Amended and Restated 2013 Employee, Director and Consultant Equity Incentive Plan, and immediately following the Effective Time, renamed the plan the Pulmatrix, Inc. 2013 Employee, Director and Consultant Equity Incentive Plan (the 2013 Plan). The 2013 Plan was amended and restated at the Effective Time to, among other things, (i) increase the number of shares of Company Common Stock authorized under the plan, (ii) comply with the requirements imposed by Section 162(m) of the Internal Revenue Code of 1986, as amended, and (iii) provide an increase in the number of shares of Company Common Stock available for issuance under the 2013 Plan s evergreen provision. As of June 30, 2016, the 2013 Plan provides for the grant of up to 3,450,549 shares of Company Common Stock, of which 548,752 shares remained available for future grant.

At the Effective Time, the Company assumed Pulmatrix Operating s 2013 Employee, Director and Consultant Equity Incentive Plan (the Original 2013 Plan) and Pulmatrix Operating s 2003 Employee, Director, and Consultant Stock Plan (the 2003 Plan). At the Effective Time, the Company terminated the Original 2013 Plan as to future awards. A total of 658,904 shares of Company Common Stock may be delivered under options outstanding as of June 30, 2016 under the Original 2013 Plan and the 2003 Plan, however no additional awards may be granted under the Original 2013 Plan or the 2003 Plan.

In connection with the Merger, all outstanding stock options of Pulmatrix Operating converted into stock options to purchase Company Common Stock, subject to the Exchange Ratio. The conversion of the Pulmatrix Operating stock options for stock options to purchase Company Common Stock was treated as a modification of the awards. The modification of the stock options did not result in any incremental compensation expense as the modification did not increase the fair value of the stock options.

Options

During the first six months of 2016, the Company granted options to purchase 703,550 shares of Company Common Stock to employees and options to purchase 44,000 shares of Company Common Stock to directors. At the date of grant the fair value of those options aggregated to \$1,982 and \$123 respectively. The stock options granted vest over 48 months (the Time Based Options). Subject to the grantees continuous service with the Company, Time Based Options vest 25% on the option grant date and the remainder in 36 equal monthly installments beginning in the month

after the Vesting Start Date. Stock options generally expire ten years after the date of grant.

The following table summarizes stock option activity for the six months ended June 30, 2016:

		Number of Options	Weighted- Average Exercise Price	Weighted- Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Outstanding	December 31, 2015	2,316,569	\$ 8.59		
Granted		747,550	\$ 2.82		
Exercised		(277)	\$ 1.71		
Forfeited or expired		(46,299)	\$ 5.50		
Outstanding	June 30, 2016	3,017,543	\$ 7.21	8.34	\$ 9
Exercisable	June 30, 2016	1,119,726	\$ 6.15	6.83	\$ 8

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The estimated fair values of employee stock options granted during the six months ended June 30, 2016 and 2015, were determined on the date of grant using the Black-Scholes option-pricing model with the following assumptions:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Expected option life (years)	6.22	1.48 - 6.12	6.22	1.48 - 6.22
Risk-free interest rate	1.81%	0.68% - 1.91%	1.61%-1.94%	0.68% - 1.91%
Expected volatility	71%	65.85% - 73.33%	70%-71%	73.33% - 132.0%
Expected dividend yield	0%	0%	0%	0%

The risk-free interest rate was obtained from U.S. Treasury rates for the applicable periods. The Company's expected volatility was based upon the historical volatility for industry peers and used an average of those volatilities. The expected life of the Company's options was determined using the simplified method as a result of limited historical data regarding the Company's activity. The dividend yield considers that the Company has not historically paid dividends, and does not expect to pay dividends in the foreseeable future. As of June 30, 2016 there was \$5,596 of unrecognized stock-based compensation expense related to unvested stock options granted under the Company's stock award plans. This expense is expected to be recognized over a weighted-average period of approximately 2.8 years.

Restricted Stock Units

In connection with the Merger, the Company signed one-year employment agreements with the former CEO and CFO of Ruthigen pursuant to which the Company granted such persons 329,052 restricted stock units (the "RSUs") of which 130,435 RSUs were immediately vested upon the date of the grant and 49,654 RSUs vested during both the three and six months ended June 30, 2016. The shares of common stock underlying the RSUs held by the former CEO and CFO of Ruthigen are deliverable one year after the applicable vesting date of the respective RSU. In August 2015, the Company granted 10,374 RSUs to other employees that vest over a two year period. The Company recorded stock-based compensation expense of \$528 and \$1,164 for the RSUs that vested during the three and six months ended June 30, 2016, respectively.

The following table summarizes RSU activity for the six months ended June 30, 2016:

		Number of Units	Weighted-Average Grant Date Fair Value	Total Grant Date Fair Value
Outstanding	December 31, 2015	109,682	\$ 11.97	\$ 1,314
Granted				
Vested		(104,495)	\$ 12.30	(1,285)
Forfeited or expired				
Outstanding	June 30, 2016	5,187	\$ 5.50	\$ 29

The following table presents total stock-based compensation expense for the three and six months ended June 30, 2016:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Research and development	\$ 226	\$ 50	\$ 439	\$ 81
General and administrative	943	2,661	1,963	2,664
Total stock based compensation expense	\$ 1,169	\$ 2,711	\$ 2,402	\$ 2,745

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Information about the liabilities measured at fair value on a recurring basis as of June 30, 2016 and December 31, 2015, and the input categories associated with those liabilities, is as follows:

	June 30, 2016			
	Fair Value Measurements Using			
	Level 1	Level 2	Level 3	Total
Liabilities:				
Embedded compound derivative	\$	\$	\$ 11	\$ 11

	December 31, 2015			
	Fair Value Measurements Using			
	Level 1	Level 2	Level 3	Total
Liabilities:				
Embedded compound derivative	\$	\$	\$ 11	\$ 11

Embedded Compound Derivatives LSA with Hercules

As described in Note 7, the LSA contains an interest rate reset upon an event of default and a put option upon an event of default or qualified change of control. Each of these features represents an embedded derivative instrument requiring bifurcation from the Term Loan. The embedded derivatives were bundled and valued as one compound derivative in accordance with the applicable accounting guidance for derivatives and hedging. The proceeds from the issuance of the Term Loan were allocated first to the warrant and compound derivative at their respective fair values, with the residual going to the carrying amount of the loan resulting in a discount to the face value of the debt. The fair value of the compound derivative upon issuance of \$11 was recognized as a derivative liability and will be adjusted to fair value at each reporting date. The fair value of the derivative instruments is based on significant inputs not observable in the market, which represents a Level 3 measurement within the fair value hierarchy. The Company used an income approach to estimate the fair value of the derivative liability and estimated the probability of an event of default occurring at various dates and then estimates the present value of the amount the holders would receive upon an event of default.

The significant assumption used in the model is the probability of the following scenarios occurring:

	At Issuance Date	At June 30, 2016
Probability of an event of default	10%	*
Prepayment penalties	1.0% - 3.0%	*
End of term payment	\$245,000	*
Risk-free interest rate	1.01%	*

The risk-free interest rate was obtained from U.S. Treasury rates for the applicable periods. The Company's expected volatility was based upon the historical volatility for industry peers and used an average of those volatilities. The expected life of the Company's options was determined using the simplified method as a result of limited historical data regarding the Company's activity. The dividend yield considers that the Company has not historically paid

dividends, and does not expect to pay dividends in the foreseeable future

* Management determined that there were no changes in the assumptions underlying the value of the derivative instrument between the date of issuance, June 16, 2015, and June 30, 2016.

A roll-forward of the preferred stock warrant liability and derivative liability categorized with Level 3 inputs is as follows:

		Derivative Instruments	
Balance	December 31, 2015	\$	11
Change in fair value			
Balance	June 30, 2016	\$	11

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Gains and/or losses arising from changes in the estimated fair value of the warrants and embedded compound derivatives were recorded within other income, net, on the condensed consolidated statement of operations.

13. Net Loss Per Share

The Company computes basic and diluted net loss per share using a methodology that gives effect to the impact of outstanding participating securities (the two-class method). As the three and six months ended June 30, 2016 and 2015 resulted in net losses attributable to common shareholders, there is no income allocation required under the two-class method or dilution attributed to weighted average shares outstanding in the calculation of diluted net loss per share.

The following table sets forth the computation of basic and diluted net loss per share attributable to common stockholders:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Numerator:				
Net loss	\$ (9,187)	\$ (14,897)	\$ (14,857)	\$ (16,699)
Accretion of redeemable preferred stock				
Net loss attributable to common stockholders	\$ (9,187)	\$ (14,897)	\$ (14,857)	\$ (16,699)
Denominator:				
Weighted average common shares outstanding basic and diluted	14,804,606	2,580,144	14,779,244	1,391,048
Net loss per share attributable to common stockholders basic and diluted	\$ (0.62)	\$ (5.77)	\$ (1.01)	\$ (12.00)

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The following potentially dilutive securities outstanding prior to the use of the treasury stock method have been excluded from the computation of diluted weighted-average shares outstanding, as they would be anti-dilutive.

	As of June 30,	
	2016	2015
Options to purchase common stock	3,017,543	1,983,470
Warrants to purchase common stock	3,284,440	4,512,700
Restricted Stock Units	5,187	329,052
Settlement of term loan	85,251	85,251

14. Commitments

On October 27, 2015, the Company amended its operating lease for office and lab space to extend the termination date of the lease from December 2016 to December 2020, among other things. The amended lease provides for base rent, and the Company is responsible for real estate taxes, maintenance, and other operating expenses applicable to the leased premises. The amended lease agreement provides for an increasing monthly payment over the lease term.

Future minimum lease payments under non-cancelable operating lease for office and lab space is as follows:

	Amount
2016	305
2017	632
2018	654
2019	676
2020	698
Total	\$ 2,965

15. Subsequent Events

The Company has completed an evaluation of all subsequent events through the date of issuance. The Company concluded that no significant subsequent event has occurred that requires disclosure.

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

The information set forth below should be read in conjunction with the condensed consolidated financial statements and the notes thereto included elsewhere in this Quarterly Report on Form 10-Q as well as the audited financial statements and the notes thereto contained in our current report on Form 10-K filed with the Securities and Exchange Commission (the "SEC") on March 10, 2016. Unless stated otherwise, references in this Quarterly Report on Form 10-Q to us, we, our, or our Company and similar terms refer to Pulmatrix, Inc., a Delaware corporation. References to Ruthigen refer to our Company prior to the Merger (as defined below).

Forward-Looking Statements

This Quarterly Report contains forward-looking statements as that term is defined in the federal securities laws. The events described in forward-looking statements contained in this Quarterly Report may not occur. Generally these statements relate to business plans or strategies, projected or anticipated benefits or other consequences of our plans or strategies, projected or anticipated benefits from acquisitions to be made by us, or projections involving anticipated revenues, earnings or other aspects of our operating results. The words anticipates, assumes, believes, can, could, estimates, expects, forecasts, guides, intends, is confident that, may, plans, seeks, projects, targets, their opposites and similar expressions are intended to identify forward-looking statements. We caution you that these statements are not guarantees of future performance or events and are subject to a number of uncertainties, risks and other influences, many of which are beyond our control, that could cause our actual results, performance and achievements to differ materially from those expressed or implied in these forward-looking statements. Factors which may affect our results include, but are not limited to:

our history of recurring losses and negative cash flows from operating activities, significant future commitments and the uncertainty regarding the adequacy of our liquidity to pursue our complete business objectives;

our inability to carry out research, development and commercialization plans;

our inability to manufacture our product candidates on a commercial scale on our own, or in collaborations with third parties;

our inability to complete preclinical testing and clinical trials as anticipated;

our ability to adequately protect and enforce rights to intellectual property;

difficulties in obtaining financing on commercially reasonable terms;

intense competition in our industry, with competitors having substantially greater financial, technological, research and development, regulatory and clinical, manufacturing, marketing and sales, distribution and personnel resources than we do;

entry of new competitors and products and potential technological obsolescence of our products;

adverse market and economic conditions;

loss of one or more key executives or scientists; and

difficulties in securing regulatory approval to market our product candidates.

For a more detailed discussion of these and other factors that may affect our business and that could cause the actual results to differ materially from those projected in these forward-looking statements, see the risk factors and uncertainties set forth in Part II, Item 1A of this Quarterly Report. Any one or more of these uncertainties, risks and other influences could materially affect our results of operations and whether forward-looking statements made by us ultimately prove to be accurate. We undertake no obligation to publicly update or revise any forward-looking statements, whether from new information, future events or otherwise.

Overview

Recent Developments

Merger

On June 15, 2015, pursuant to the previously announced Agreement and Plan of Merger, dated March 13, 2015 (the Merger Agreement), by and among us (previously known as Ruthigen, Inc.), Ruthigen Merger Corp., a Delaware corporation and our wholly owned subsidiary (Merger Sub), and Pulmatrix Operating Company, a Delaware corporation previously known as Pulmatrix Inc. (Pulmatrix Operating), Merger Sub was merged with and into Pulmatrix Operating, with Pulmatrix Operating continuing after the merger as the surviving entity and our wholly owned subsidiary (the Merger). At the effective time of the Merger, without any action on the part of any stockholder, each issued and outstanding share of Pulmatrix Operating's common stock, par value \$0.01 per

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share (the Pulmatrix Operating Common Stock), was converted into the right to receive 0.148187124066461 pre-reverse stock split shares (the Exchange Ratio) of our common stock, par value \$0.0001 per share (the Company Common Stock). Following the Merger, former Pulmatrix Inc. equity holders owned approximately 81.7% of our outstanding shares of common stock, par value \$0.0001 per share (Company Common Stock), and former Ruthigen, Inc. equity holders, including those who purchased shares of Company Common Stock in a private placement that we closed prior to the Merger, owned approximately 18.3% of the outstanding shares of Company Common Stock, in each case excluding shares of Company Common Stock held in escrow to secure indemnification obligations under the Merger Agreement.

The Merger has been accounted for as a reverse merger under the acquisition method of accounting for business combinations with Pulmatrix Operating treated as the accounting acquirer of Pulmatrix. As such, the historical financial statements of Pulmatrix Operating have become the historical financial statements of Pulmatrix, or the combined company, and are included in this filing labeled Pulmatrix, Inc. As a result of the Merger, historical common stock, stock options and additional paid-in capital, including share and per share amounts, have been retroactively adjusted to reflect the equity structure of the combined company, including the effect of the Exchange Ratio and the Company Common Stock.

Presentation for Reverse Stock Split

On June 15, 2015, immediately following the Effective Time, we effected a 1-for-2.5 reverse stock split of our issued and outstanding Company Common Stock (the Reverse Stock Split). As a result of the Reverse Stock Split, the per share exercise price of, and the number of shares of Company Common Stock underlying, our stock options and warrants outstanding immediately prior to the Reverse Stock Split were automatically proportionally adjusted based on the 1-for-2.5 split ratio in accordance with the terms of such options and warrants, as the case may be. Share and per-share amounts of Company Common Stock, options and warrants included herein have been adjusted to give effect to the Reverse Stock Split. The Reverse Stock Split did not alter the par value of Company Common Stock, \$0.0001 per share, or modify any voting rights or other terms of the common stock. Unless otherwise noted, the accompanying condensed consolidated financial statements and notes thereto, including the Exchange Ratio applied to historical Pulmatrix Operating common stock and stock options, give retroactive effect to the Reverse Stock Split for all periods presented.

Business

Prior to the Merger, Ruthigen was a biopharmaceutical company focused on pioneering new hypochlorous acid, or HOCl, based therapies designed to improve patient outcomes and reduce healthcare costs associated with infections related to post-operative invasive procedures. Following the Merger, Pulmatrix, Inc. and its subsidiaries (the Company) is a clinical stage biotechnology company focused on the discovery and development of a novel class of inhaled therapeutic products. The Company's proprietary dry powder delivery platform, iSPERSE (inhaled Small Particles Easily Respirable and Emitted), is engineered to deliver small, dense particles with highly efficient dispersibility and delivery to the airways, which can be used with an array of dry powder inhaler technologies and can be formulated with a variety of drug substances. The Company is developing a pipeline of iSPERSE-based therapeutic candidates targeted at prevention and treatment of a range of respiratory diseases and infections with significant unmet medical needs.

Since our inception in 2003, we have devoted substantially all of our efforts to product research and development, market research, and raising capital. We do not have any products approved for sale and have not generated any revenue from product sales. We have funded our operations to date through proceeds from issuances of common and convertible preferred stock, issuances of convertible debt, collaborations with third parties and non-dilutive grants

received from government agencies.

We expect to continue to incur significant expenses and increasing operating losses for at least the next several years based on our drug development plans. We expect our expenses and capital requirements will increase substantially in connection with our ongoing activities, as we:

initiate and expand clinical trials for PUR1900 for patients with severe lung disease;

seek regulatory approval for our product candidates;

hire personnel to support our product development, commercialization and administrative efforts; and

advance the research and development related activities for inhaled therapeutic products in our pipeline. We will not generate product sales unless and until we successfully complete clinical developments and obtain regulatory approvals for our product candidates. Additionally, we currently utilize third-party contract research organizations, or CROs, to carry out our clinical development activities, and we do not yet have a commercial organization. If we obtain regulatory approval for any of our product candidates, we expect to incur significant expenses related to developing our internal commercialization capability to support product sales, marketing and distribution. Accordingly, we anticipate that we will seek to fund our operations through public or private

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equity or debt financings or other sources, potentially including collaborative commercial arrangements. Likewise, we intend to seek to limit our commercialization costs by partnering with other companies with complementary capabilities or larger infrastructure including sales and marketing.

Because of the numerous risks and uncertainties associated with product development, we are unable to predict the timing or amount of increased expenses or when or if we will be able to achieve or maintain profitability. Even if we are able to generate product sales, we may not become profitable. If we fail to become profitable or are unable to sustain profitability on a continuing basis, then we may be unable to continue our operations at planned levels and be forced to reduce or terminate our operations.

Financial Overview

Revenues

To date, we have not generated any product sales. Our limited revenues have been derived from feasibility work as part of agreements with other pharmaceutical companies and grants from government agencies. On March 24, 2015, we entered into the long-acting muscarinic agent collaboration agreement with Mylan under which we are eligible to receive reimbursement of up to \$1.5 million for third-party out of pocket expenses directly related to clinical trials. On September 14, 2015, the Company entered into an amendment to the collaboration agreement to provide reimbursements of to a new cost cap of \$1.878 million. As consideration for the funding received, we agreed to grant to Mylan an option for the exclusive right to develop, manufacture, commercialize and market any resulting products outside the United States for 180 days following the delivery of a clinical studies report, in exchange for a tiered share of gross profit of up to 20% of such pharmaceutical company's sales on the resulting products.

Research and Development Expenses

Research and development expenses consist primarily of costs incurred for the research and development of our preclinical and clinical candidates, and include:

employee-related expenses, including salaries, benefits and stock-based compensation expense;

expenses incurred under agreements with CROs, contract manufacturing organizations, or CMOs, and consultants that conduct our clinical trials and preclinical activities;

the cost of acquiring, developing and manufacturing clinical trial materials and lab supplies;

facility, depreciation and other expenses, which include direct and allocated expenses for rent, maintenance of our facility, insurance and other supplies; and

costs associated with preclinical activities and regulatory operations.

We expense research and development costs to operations as incurred. We recognize costs for certain development activities, such as clinical trials, based on an evaluation of the progress to completion of specific tasks using data such

as patient enrollment, clinical site activations or information provided to us by our vendors.

Research and development activities are central to our business model. We utilize a combination of internal and external efforts to advance product development from early stage work to clinical trial manufacturing and clinical trial support. External efforts include work with consultants and substantial work at CROs and CMOs. We support an internal research and development team and facility for our pipeline programs including PUR1900, our lead anti-infective for patients with severe lung disease, PUR0200, our lead COPD bronchodilator, and PUR1500, our preclinical stage therapeutic for treatment of idiopathic pulmonary fibrosis (IPF). In order to move these programs forward along our development timelines, we maintain a significant staff of research and development employees (68% of staff). In addition, we maintain a 12,000 square foot research and development facility which includes capital equipment for the manufacture, characterization, and in vitro/in vivo evaluation of our iSPERSE powders for our pipeline programs. As we identify opportunities for iSPERSE in respiratory indications, we anticipate additional head count, capital, and development costs will be incurred to support these programs.

Because of the numerous risks and uncertainties associated with product development, however, we cannot determine with certainty the duration and completion costs of these or other current or future preclinical studies and clinical trials. The duration, costs and timing of clinical trials and development of our product candidates will depend on a variety of factors, including the uncertainties of future clinical and preclinical studies, uncertainties in clinical trial enrollment rates and significant and changing government regulation. In addition, the probability of success for each product candidate will depend on numerous factors, including competition, manufacturing capability and commercial viability.

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General and Administrative Expenses

General and administrative expenses consist principally of salaries and related costs such as stock-based compensation for personnel and consultants in executive, finance, business development, corporate communications and human resource functions, facility costs not otherwise included in research and development expenses, patent filing fees and professional legal fees. Other general and administrative expenses include travel expenses and professional fees for consulting, auditing and tax services.

We anticipate that our general and administrative expenses will increase in the future as we increase our headcount to support our continued research and development and potential commercialization of our product candidates. We also anticipate increased expenses related to audit, legal, regulatory, and tax-related services associated with maintaining compliance with exchange listing and Securities and Exchange Commission requirements, director and officer liability insurance, investor relations costs and other costs associated with being a public company. Additionally, if and when we believe a regulatory approval of a product candidate appears likely, we anticipate an increase in staffing and related expenses as a result of our preparation for commercial operations, especially as it relates to the sales and marketing of our product candidates.

Interest Expense

Interest expense primarily reflects the amortization of debt discounts and interest expense accrued in connection with convertible notes and a term loan that were outstanding during the period. In connection with the Merger, all of our outstanding convertible notes, including the convertible notes issued in February 2015, and accrued and unpaid interest, were converted into, or exchanged for, equity. Following the Merger, we have been incurring and expect to continue to incur interest expense associated with the \$7 million term loan executed in June 2015.

Write-off of Intangibles, Net of Tax Provision

Write-off of intangibles is comprised of the write-down of the IPR&D, net of tax provision, which was acquired from Ruthigen in connection with the Merger. The acquired IPR&D consisted of RUT58-60, a proprietary formulation of HOC1 and Ruthigen's lead drug candidate.

Critical Accounting Policies

This management's discussion and analysis of our financial condition and results of operations is based on our financial statements, which have been prepared in accordance with U.S. generally accepted accounting principles (GAAP). The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, and expenses and the disclosure of contingent assets and liabilities in our financial statements. On an ongoing basis, we evaluate our estimates and judgments, including those related to accrued expenses and stock-based compensation. We base our estimates on historical experience, known trends and events, and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

While our significant accounting policies are described in more detail in the notes to our condensed consolidated financial statements appearing elsewhere in this Form 10-Q and in our audited financial statements included in our current report on Form 10-K filed with the SEC on March 10, 2016, we believe the following accounting policies to be most critical to the judgments and estimates used in the preparation of our financial statements.

Use of Estimates

In preparing financial statements in conformity with GAAP, management is required 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, as well as the reported amounts of expenses during the reporting period. Due to inherent uncertainty involved in making estimates, actual results may differ from these estimates. On an ongoing basis, the Company evaluates its estimates and assumptions. These estimates and assumptions include valuing equity securities in share-based payments, estimating fair value of equity instruments recorded as derivative liabilities, estimating the fair value of net assets acquired in business combinations, estimating the useful lives of depreciable and amortizable assets, valuation allowance against deferred tax assets, goodwill impairment, and estimating the fair value of long-lived assets to assess whether impairment charges may apply.

Revenue Recognition

Our principal sources of revenue are income from fees for services. In all instances, revenue is recognized only when the price is fixed or determinable, persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered, and collectability of the resulting receivable is reasonably assured.

Goodwill

Goodwill represents the difference between the consideration transferred and the fair value of the net assets acquired and liabilities assumed under the acquisition method of accounting for push-down accounting. Goodwill is not amortized but is evaluated for impairment within the Company's single reporting unit on an annual basis, during the fourth quarter, or more frequently if an event

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occurs or circumstances change that would more likely than not reduce the fair value of the Company's reporting unit below its carrying amount. When performing the impairment assessment, the accounting standard for testing goodwill for impairment permits a company to first assess the qualitative factors to determine whether the existence of events and circumstances indicates that it is more likely than not that the goodwill is impaired. If the Company believes, as a result of the qualitative assessment, that it is more likely than not that the fair value of goodwill is impaired, the Company must perform the first step of the goodwill impairment test. The Company has determined that goodwill was not impaired as of June 30, 2016.

In-process Research & Development

In-process research & development (IPR&D) represents the fair value assigned to research and development assets that were not fully developed at the date of acquisition. IPR&D acquired in a business combination or recognized from the application of push-down accounting is capitalized on the Company's consolidated balance sheet at its acquisition-date fair value. Until the project is completed, the assets are accounted for as indefinite-lived intangible assets and subject to impairment testing. Upon completion of a project, the carrying value of the related IPR&D is reclassified to intangible assets and is amortized over the estimated useful life of the asset.

When performing the impairment assessment, the Company first assesses qualitative factors to determine whether it is necessary to recalculate the fair value of its acquired IPR&D. If the Company believes, as a result of the qualitative assessment, that it is more likely than not that the fair value of acquired IPR&D is less than its carrying amount, it calculates the asset's fair value. If the carrying value of the Company's acquired IPR&D exceeds its fair value, then the intangible asset is written down to its fair value. The Company determined that there was a full write-off of its IPR&D of \$7,534 and the related deferred tax liability of \$2,959. As of June 30, 2016, a full write-off was recorded that totaled a net \$4,575.

Results of Operations***Three Months Ended June 30, 2016 Compared with Three Months Ended June 30, 2015***

The following table sets forth our results of operations for each of the periods set forth below (in thousands):

	Three months ended June 30,		Change	
	2016	2015	\$	%
Revenue	\$ 260	\$ 170	\$ 90	53%
Operating expenses				
Research and development	2,441	1,610	831	52%
General and administrative	2,214	9,879	(7,665)	(78)%
Write-off of intangibles, net of tax provision	4,575		4,575	
Total operating expenses	9,230	11,489	(2,259)	(20)%
Loss from operations	(8,970)	(11,319)	2,349	(61)%
Interest expense	(224)	(327)	103	(31)%
Loss on the conversion of convertible notes		(1,170)	1,170	(100)%
Fair value adjustment of preferred stock warrant liability		582	(582)	(100)%

Fair value adjustment of derivative liability		(2,692)	2,692	(100)%
Other income, net	7	29	(22)	(76)%
Net loss	\$ (9,187)	\$ (14,897)	\$ 5,710	(38)%

Revenue For the three months ended June 30, 2016, revenue was \$0.3 million compared to \$0.2 million for the three months ended June 30, 2015, an increase of \$0.1 million. This increase was the result of increased revenue recognized under our collaboration agreement with Mylan.

Research and development expenses For the three months ended June 30, 2016, research and development expense was \$2.4 million compared to \$1.6 million for the three months ended June 30, 2015, an increase of \$0.8 million. The increase was primarily due to increases of \$0.7 million on the PUR1900 project and \$0.1 million in employment related costs.

General and administrative expenses For the three months ended June 30, 2016, general and administrative expense was \$2.2 million compared to \$9.9 million for the three months ended June 30, 2015, an decrease of \$7.7 million. The decrease was due to costs incurred during the three months ended June 30, 2015 that did not reoccur. The expense reductions were primarily comprised of \$1.7 million in employee stock-based compensation expense and Merger related costs comprised of \$2.5 million in advisory costs and \$3.4 million in legal expenses.

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Write-off of intangibles, net of tax provision For the three months ended June 30, 2016, the write-off of intangibles, net of tax provision, was \$4.6 million compared to \$0 for the three months ended June 30, 2015. As a result of the agreement lapse, a full write-off was made of both the IPR&D acquired from the Merger, \$7.5 million, and the associated deferred tax liability, \$2.9 million, as of June 30, 2016.

Interest expense For the three months ended June 30, 2016, interest expense was \$0.2 million compared to \$0.3 million for the three months ended June 30, 2015. Interest expense incurred, during the three months ended June 30, 2016, related to the term loan agreement that we entered into in June 2015.

Loss on the conversion of convertible notes For the three months ended June 30, 2016, the loss on the conversion of convertible notes was \$0 compared to \$1.2 million for the three months ended June 30, 2015. In 2015, the loss on the conversion or exchange of convertible notes was due to the difference between the fair value of the common shares issued upon exchange and the combined carrying amounts of \$4.5 million aggregate principal amount of notes that were issued in February 2015 (the 2015 Bridge Notes), related accrued interest, embedded compound derivatives and unamortized issuance costs in connection with the Merger.

Fair value adjustment of preferred stock warrant liability For the three months ended June 30, 2016, the fair value adjustment of preferred stock warrant liability was \$0 compared to \$0.6 million for the three months ended June 30, 2015. The \$0.6 million decrease in the fair value of the preferred stock warrant liability, in the three months ended June 30, 2015, was due to the imminent cancellation of the warrants immediately prior to the Effective Time, per the terms of the Note Conversion and Warrant Termination Agreement executed in March 2015.

Fair value adjustment of derivative liability For the three months ended June 30, 2016, the fair value adjustment of derivative liability was \$0 compared to \$2.7 million for the three months ended June 30, 2015. There were no significant derivative instruments outstanding during the three months ended June 30, 2016. The fair value adjustment of the derivative liability, recorded during the three months ended June 30, 2015, was recognized in connection with three embedded derivatives associated with the 2015 Bridge Notes that were exchanged for shares of common stock upon completion of the Merger on June 15, 2015, at which time the embedded derivatives were extinguished.

Six Months Ended June 30, 2016 Compared with Six Months Ended June 30, 2015

The following table sets forth our results of operations for each of the periods set forth below (in thousands):

	Six months ended June 30,		Change	
	2016	2015	\$	%
Revenue	\$ 656	\$ 275	\$ 381	139%
Operating expenses				
Research and development	5,871	2,528	3,343	132%
General and administrative	4,623	11,812	(7,189)	(61)%
Write-off of intangibles, net of tax provision	4,575		4,575	100%
Total operating expenses	15,069	14,340	729	(27)%
Loss from operations	(14,413)	(14,065)	(348)	(3)%
Interest expense	(448)	(511)	63	(12)%
Loss on the conversion of convertible notes		(1,170)	1,170	(100)%

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Fair value adjustment of preferred stock warrant liability		1,309	(1,309)	(100)%
Fair value adjustment of derivative liability		(2,291)	2,291	(100)%
Other income, net	4	29	(25)	(86)%
Net loss	\$ (14,857)	\$ (16,699)	\$ 1,842	(11)%

Revenue For the six months ended June 30, 2016, revenue was \$0.7 million compared to \$0.3 million for the six months ended June 30, 2015, an increase of \$0.4 million. This increase was the result of increased revenue recognized under our collaboration agreement with Mylan.

Research and development expenses For the six months ended June 30, 2016, research and development expense was \$5.9 million compared to \$2.5 million for the six months ended June 30, 2015, an increase of \$3.3 million. The increase was primarily due to increases of \$2.3 million on the PUR1900 project, \$0.3 million on the PUR0200 project, \$0.1 million on the PUR1500 project and \$0.6 million in employment related costs.

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General and administrative expenses For the six months ended June 30, 2016, general and administrative expense was \$4.6 million compared to \$11.8 million for the six months ended June 30, 2015, an decrease of \$7.2 million. The decrease was due to costs incurred during the six months ended June 30, 2015 that did not reoccur. The expense reductions were primarily comprised of \$0.7 million in employee stock-based compensation expense Merger related costs comprised of \$2.8 million in advisory costs and \$3.9 million in legal expenses.

Write-off of intangibles, net of tax provision For the six months ended June 30, 2016, the write-off of intangibles, net of tax provision, was \$4.6 million compared to \$0 for the six months ended June 30, 2015. As a result of the agreement lapse, a full write-off was made of both the IPR&D acquired from the Merger, \$7.5 million, and the associated deferred tax liability, \$2.9 million, as of June 30, 2016.

Interest expense For the six months ended June 30, 2016, interest expense was \$0.4 million compared to \$0.5 million for the six months ended June 30, 2015. Interest expense incurred, during the six months ended June 30, 2016, related to the term loan agreement that we entered into in June 2015.

Loss on the conversion of convertible notes For the six months ended June 30, 2016, the loss on the conversion of convertible notes was \$0 compared to \$1.2 million for the six months ended June 30, 2015. In 2015, the loss on the conversion or exchange of convertible notes was due to the difference between the fair value of the common shares issued upon exchange and the combined carrying amounts of \$4.5 million aggregate principal amount of notes that were issued in February 2015 (the 2015 Bridge Notes), related accrued interest, embedded compound derivatives and unamortized issuance costs in connection with the Merger.

Fair value adjustment of preferred stock warrant liability For the six months ended June 30, 2016, the fair value adjustment of preferred stock warrant liability was \$0 compared to \$1.3 million for the six months ended June 30, 2015. The \$1.3 million decrease in the fair value of the preferred stock warrant liability, in the six months ended June 30, 2015, was due to the imminent cancellation of the warrants immediately prior to the Effective Time, per the terms of the Note Conversion and Warrant Termination Agreement executed in March 2015.

Fair value adjustment of derivative liability For the six months ended June 30, 2016, the fair value adjustment of derivative liability was \$0 compared to \$2.3 million for the six months ended June 30, 2015. There were no significant derivative instruments outstanding during the six months ended June 30, 2016. The fair value adjustment of the derivative liability, recorded during the six months ended June 30, 2015, was recognized in connection with six embedded derivatives associated with the 2015 Bridge Notes that were exchanged for shares of common stock upon completion of the Merger on June 15, 2015, at which time the embedded derivatives were extinguished.

Liquidity and Capital Resources

Through June 30, 2016, we have incurred an accumulated deficit of \$143.0 million, primarily as a result of expenses incurred through a combination of research and development activities related to our various product candidates and general and administrative expenses supporting those activities and our recent Merger. We have financed our operations since inception primarily through the sale of preferred and common stock and the issuance of convertible promissory notes and term loans. Our total cash and cash equivalents balance as of June 30, 2016 was \$10.8 million. We anticipate that we will continue to incur losses, and that such losses will increase over the next several years due to development costs associated with our iSPERSE pipeline programs. We expect that our research and development and general and administrative expenses will continue to increase and, as a result, we will need additional capital to fund our operations, which we may raise through a combination of equity offerings, debt financings, other third-party funding and other collaborations and strategic alliances.

In February 2015, Pulmatrix Operating issued the 2015 Bridge Notes with an aggregate principal amount of \$4.5 million to new investors. On June 15, 2015, in connection with and immediately prior to the Effective Time, all of Pulmatrix Operating's outstanding convertible notes other than the 2015 Bridge Notes, plus accrued and unpaid interest, and all of Pulmatrix Operating's outstanding convertible preferred stock was converted into shares of Pulmatrix Operating common stock. Also on June 15, 2015, immediately prior to the Effective Time, Pulmatrix Operating issued shares of its common stock and warrants to purchase its common stock to existing investors in Pulmatrix Operating for proceeds of \$10 million (the Pulmatrix Operating Private Placement). At the Effective Time, these shares of Pulmatrix Operating common stock were exchanged for shares of Company Common Stock at the Exchange Ratio, and these warrants converted into the right to purchase Company Common Stock after adjusting for the Exchange Ratio. In addition, at the Effective Time, we assumed the 2015 Bridge Notes and thereafter issued shares of Company Common Stock upon the automatic exchange of the 2015 Bridge Notes at the rate of \$6.875 per share for the unpaid principal and accrued interest on the 2015 Bridge Notes.

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In addition, we sold 379,387 shares of Company Common Stock at a price of \$6.875 per share in a private placement for aggregate gross proceeds of approximately \$2.6 million that closed on June 15, 2015 following the Effective Time (the Ruthigen Private Placement). On June 11, 2015, Pulmatrix Operating entered into a term loan agreement to borrow \$7.0 million, contingent upon the closing of the Merger. On June 16, 2015, we executed a joinder to make our Company a co-borrower on the term loan, and the term loan was funded. We believe that we can continue as a going concern as our cash resources at June 30, 2016 combined with anticipated non-dilutive financing and proceeds from the issuance of Company Common Stock will be sufficient to allow the Company to fund our financing obligations and operating plan through the required minimum period of at least the next twelve months from the date of filing this report. We have based this estimate on assumptions that may prove to be wrong, and we could use our available capital resources sooner than we currently expect. Our future capital requirements will depend on many factors, including the scope and progress made in our research and development activities and our preclinical studies and clinical trials. If we fail to obtain additional future capital, we may be unable to complete our planned preclinical and clinical trials or obtain approval of any product candidates from the U.S. Food and Drug Administration, or the FDA, and other regulatory authorities.

The following table sets forth the major sources and uses of cash for each of the periods set forth below (in thousands):

	Six months ended	
	June 30,	
	2016	2015
Net cash used in operating activities	\$ (7,942)	\$ (6,082)
Net cash (used in) provided by investing activities	(172)	9,621
Net cash provided by financing activities		21,517
Net increase (decrease) in cash and cash equivalents	\$ (8,114)	\$ 25,056

Cash Flows from Operating Activities

Net cash used in operating activities for the six months ended June 30, 2016 was \$7.9 million, which was primarily the result of a net loss of \$14.9 million and \$0.4 million in cash outflows associated with changes in operating assets and liabilities, partially offset by \$7.2 million of net non-cash adjustments. Our non-cash adjustments were primarily comprised of \$4.6 million of the write-off of IPR&D, net of tax provision, \$2.4 million of stock-based compensation expense, \$0.1 million of depreciation and amortization and \$0.1 million of non-cash interest expense. The net cash outflows associated with changes in operating assets and liabilities was primarily due to a \$0.9 million decrease accounts payable and accrued expenses, partially offsets by \$0.5 million decrease in prepaid expenses and other current assets.

Net cash used in operating activities for the six months ended June 30, 2015 was \$6.1 million, which was primarily the result of a net loss of \$16.7 million, partially offset by \$9.8 million of net non-cash adjustments and \$0.8 million in cash inflows associated with changes in operating assets and liabilities. Our non-cash adjustments include \$4.2 million in consulting expenses settled in stock, \$2.3 million in expense associated with the increase in the fair value of the derivative liability, \$2.7 million of stock-based compensation expense and \$1.1 million related to the loss on the conversion of convertible notes offset by a \$1.3 million gain resulting from the decrease in the fair value of the preferred stock warrant liability. The net cash inflows associated with changes in operating assets and liabilities was primarily due to an increase in accrued expenses of \$0.7 million.

Cash Flows from Investing Activities

Net cash used in investing activities for the six months ended June 30, 2016 was \$0.2 million compared to net cash provided by investing activities of \$9.6 million for the six months ended June 30, 2015. Net cash used in investing activities for the six months ended June 30, 2016 was entirely due to purchases of property and equipment. Net cash provided by investing activities for the six months ended June 30, 2015 represents Ruthigen's cash balance immediately prior to the Effective Time.

Cash Flows from Financing Activities

Net cash provided by financing activities for the six months ended June 30, 2016 was \$0, as compared to \$21.5 million for the six months ended June 30, 2015. Net cash provided by financing activities for the six months ended June 30, 2015 resulted primarily from the issuance of Pulmatrix Operating common stock and warrants for proceeds of \$10.0 million in the Pulmatrix Operating Private Placement, \$6.9 million from the issuance of term loans, \$4.5 million from the issuance of the 2015 Bridge Notes and \$0.1 million in proceeds from the exercise of common stock.

Financings

Based on our planned use for our existing cash resources, we believe that our available funds will be sufficient to enable us to support clinical development of our PUR1900 program through completion of a Phase IB trial, research and development staff working on

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chemistry manufacturing and control activities in support of PUR0200, and pre-clinical evaluation of PUR1500 for IPF. The funding will not be sufficient to complete additional clinical work for any of the pipeline programs. We have based our projections of operating capital requirements on assumptions that may prove to be incorrect and we may use all of our available capital resources sooner than we expect. Because of the numerous risks and uncertainties associated with research, development and commercialization of pharmaceutical products, we are unable to estimate the exact amount of our operating capital requirements. Our future funding requirements will depend on many factors, including, but not limited to:

the initiation, progress, timing, costs and results of clinical studies for existing and new pipeline programs based on iSPERSE ;

the outcome, timing and cost of regulatory approvals by the FDA and European regulatory authorities, including the potential for these agencies to require that we perform studies in addition to those that we currently have planned;

the cost of filing, prosecuting, defending and enforcing any patent claims and other intellectual property rights;

our need to expand our research and development activities;

our need and ability to hire additional personnel;

our need to implement additional infrastructure and internal systems;

the cost of establishing and maintaining a commercial-scale manufacturing line; and

the cost of establishing sales, marketing and distribution capabilities for any products for which we may receive regulatory approval.

If we cannot expand our operations or otherwise capitalize on our business opportunities because we lack sufficient capital, our business, financial condition and results of operations could be materially adversely affected.

Term Loan and Warrant

On June 11, 2015 Pulmatrix Operating entered into a Loan and Security Agreement (LSA) with Hercules Technology Growth Capital, Inc. (Hercules), for a term loan in a principal amount of \$7.0 million (term loan). On June 15, 2015, following the Effective Time, we signed a joinder agreement with Hercules to make our Company a co-borrower under the LSA. The term loan is secured by substantially all of our and our subsidiary s assets, excluding our and our subsidiary s intellectual property.

The term loan bears interest at a floating annual rate equal to the greater of (i) 9.50% and (ii) the sum of (a) the prime rate as reported by The Wall Street Journal minus 3.25% plus (b) 8.50%. We are required to make interest payments in cash on the first business day of each month, beginning on July 1, 2015. Beginning on August 1, 2016, we will be required to make monthly payments on the first business day of each month consisting of principal and interest based upon a 30-month amortization schedule, and any remaining unpaid principal and interest will be due on the maturity date of July 1, 2018. Upon repayment of the term loan, we are also required to pay an end of term fee to the lenders of approximately \$0.2 million.

We may elect to prepay all, but not less than all, of the outstanding principal balance of the term loan, subject to a prepayment fee of 1% - 3%, depending on the date of repayment. Contingent on the occurrence of several events, including that our closing stock price exceed \$11.73 per share for the seven days preceding a payment date, we may elect to pay, in whole or in part, any regularly scheduled installment of principal up to an aggregate maximum amount of \$1.0 million by converting a portion of the principal into shares of our common stock at a price of \$11.73 per share. Hercules may elect to receive payments of any regularly scheduled amounts of principal in shares of our common stock based on a price of \$11.73 per share, subject to an aggregate maximum principal amount of \$1.0 million.

The credit facility includes affirmative and negative covenants. The affirmative covenants include, among others, covenants requiring us to maintain legal existence and governmental approvals and to deliver certain financial reports and maintain insurance coverage. The negative covenants include, among others, restrictions on transferring collateral, incurring additional indebtedness, engaging in mergers or acquisitions, paying dividends or making other distributions, making investments, creating liens, selling assets, and suffering a change in control, in each case subject to certain exceptions. In general, the term loan prohibits us from (i) repurchasing or redeeming any class of capital stock, including common stock or (ii) declaring or paying any cash dividend or making cash distribution on any class of capital stock, including common stock. As of June 30, 2016, we were in compliance with all covenants.

The credit facility also includes events of default, the occurrence and continuation of which provide Hercules, as agent, with the right to exercise remedies against us and the collateral securing the term loan under the credit facility, including foreclosure against our properties securing the credit facilities, including our cash. These events of default include, among other things, our failure to pay any amounts due under the credit facility, a breach of covenants under the credit facility, our insolvency, a material adverse effect occurring, the occurrence of certain defaults under certain other indebtedness or certain final judgments against us.

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In June 2015, in connection with the LSA, we granted to Hercules a warrant to purchase 25,150 shares of Company Common Stock at an exercise price of \$8.35 per share. The warrants are exercisable in whole or in part any time prior to the expiration date of June 16, 2020. In the event the warrants are not fully exercised, upon the expiration date any outstanding warrants will be automatically exercised for shares of our common stock on a net basis. If the fair market value of one share of our common stock is greater than the exercise price of the warrant, in lieu of exercising the warrant for cash, Hercules may elect to convert all or a portion of the warrant into common stock on a net basis.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

We are exposed to market risk related to changes in interest rates. As of June 30, 2016 and December 31, 2015, we had cash and cash equivalents of \$10.8 million and \$18.9 million, respectively, consisting primarily of money market funds, U.S Treasury securities, and FDIC insured certificates of deposits. The investments in these financial instruments are made in accordance with an investment policy approved by our Board of Directors, which specifies the categories, allocations and ratings of securities we may consider for investment. The primary objective of our investment activities is to preserve principal while at the same time maximizing the income we receive without significantly increasing risk. Some of the financial instruments in which we invest could be subject to market risk. This means that a change in prevailing interest rates may cause the value of the instruments to fluctuate. For example, if we purchase a security that was issued with a fixed interest rate and the prevailing interest rate later rises, the value of that security will probably decline. To minimize this risk, we intend to maintain a portfolio that may include cash, cash equivalents and investment securities available-for-sale in a variety of securities, which may include money market funds, government and non-government debt securities and commercial paper, all with various maturity dates. Based on our current investment portfolio, we do not believe that our results of operations or our financial position would be materially affected by an immediate change of 10% in interest rates.

We do not hold or issue derivatives, derivative commodity instruments or other financial instruments for speculative trading purposes. Further, we do not believe our cash equivalents and investment securities have significant risk of default or illiquidity. We made this determination based on discussions with our investment advisors and a review of our holdings. Although we believe our cash equivalents and investment securities do not contain excessive risk, we cannot provide absolute assurance that in the future our investments will not be subject to adverse changes in market value. All of our investments are recorded at fair value.

We are also exposed to market risk related to change in foreign currency exchange rates. We contract with certain vendors that are located outside the United States of America which have contracts denominated in foreign currencies. We are subject to fluctuations in foreign currency rates in connection with these agreements. We do not currently hedge our foreign exchange rate risk. As of June 30, 2016 and December 31, 2015, we had minimal liabilities denominated in foreign currencies.

Item 4. Controls and Procedures.

(a) Evaluation of Disclosure Controls and Procedures. Our principal executive officer and principal financial officer, after evaluating the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e)) promulgated under the Securities Exchange Act of 1934, as amended (the Exchange Act) as of the end of the period covered by this Form 10-Q, have concluded that, based on such evaluation, our disclosure controls and procedures were effective to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms, and is accumulated and communicated to our management, including our principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

In designing and evaluating our disclosure controls and procedures, our management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and our management necessarily is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

(b) Changes in Internal Controls. There were no changes in our internal control over financial reporting, identified in connection with the evaluation of such internal control that occurred during the quarter ended June 30, 2016 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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PART II OTHER INFORMATION

Item 1. Legal Proceedings.

From time to time, we may be involved in litigation that arises through the normal course of business. As of the date of this filing, we are not aware of any material legal proceedings to which we or any of our subsidiaries is a party or to which any of our property is subject, nor are we aware of any such threatened or pending litigation or any such proceedings known to be contemplated by governmental authorities.

We are not aware of any material proceedings in which any of our directors, officers or affiliates or any registered or beneficial stockholder of more than 5% of our common stock, or any associate of any of the foregoing, is a party adverse to or has a material interest adverse to, us or any of our subsidiaries.

Item 1A. Risk Factors.

There have been no material changes to the risk factors disclosed under Item 1A. Risk Factors of our most recent Annual Report on Form 10-K. For more information concerning our risk factors, please refer to Item 1A. Risk Factors of our most recent Annual Report on Form 10-K.

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

(a) Unregistered Sales of Equity Securities

None.

(b) Issuer Purchases of Equity Securities

We did not repurchase any of our equity securities during the quarter ended June 30, 2016.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

None.

Item 6. Exhibits.
See Index to Exhibits.

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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.

PULMATRIX, INC.

Date: August 4, 2016

By: /s/ Robert W. Clarke
Robert W. Clarke
President and Chief Executive Officer
(Principal Executive Officer)

Date: August 4, 2016

By: /s/ William Duke, Jr.
William Duke, Jr.
Chief Financial Officer
(Principal Financial Officer)

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No.	Description
2.1#	Agreement and Plan of Merger, dated March 13, 2015, by and among Pulmatrix, Inc., Pulmatrix Operating Company, Inc. and Ruthigen Merger Corp. (incorporated by reference to Exhibit 2.1 to Current Report on Form 8-K filed with the Securities and Exchange Commission on March 13, 2015).
3.1	Amended and Restated Certificate of Incorporation of Pulmatrix, Inc., as amended through June 15, 2015 (incorporated by reference to Exhibit 3.1 to Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on August 14, 2015).
3.2	Restated Bylaws of Pulmatrix, Inc., as amended through June 15, 2015 (incorporated by reference to Exhibit 3.2 to Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on August 14, 2015).
31.1*	Certification of the Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of the Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1*	Certification of Principal Executive Officer and Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101*	The following materials from the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2016, formatted in XBRL (eXtensible Business Reporting Language): (i) Condensed Consolidated Balance Sheets as of June 30, 2016 (unaudited) and December 31, 2015, (ii) Condensed Consolidated Statements of Operations for the three and six months ended June 30, 2016 and 2015 (unaudited), (iii) Condensed Consolidated Statements of Cash Flows for the six months ended June 30, 2016 and 2015 (unaudited), and (iv) Notes to Condensed Consolidated Financial Statements (unaudited).

* Filed herewith.

Certain schedules and exhibits have been omitted pursuant to Item 601(b)(2) of Regulation S-K. Pulmatrix, Inc. hereby undertakes to furnish supplementally copies of any of the omitted schedules upon request by the Securities and Exchange Commission.