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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 March 31, 2017

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: 001-36351

DIPEXIUM PHARMACEUTICALS, INC.

(Exact name of registrant as specified in its charter)

Delaware	**46-4995704**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
14 Wall St, Suite 3D New York, NY	**10005**
(Address of Principal Executive Offices)	(Zip Code)

(212) 269-2834
(Registrant's Telephone Number, Including Area Code)

N/A
(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter 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.

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

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PRECEDING FIVE YEARS:

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. ☐ Yes ☐

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of **April 17, 2017: 11,230,511**

Dipexium Pharmaceuticals, Inc.
FORM 10-Q
For period ended March 31, 2017

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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

The accompanying interim condensed consolidated financial statements have been prepared by the Company and are unaudited. In the opinion of management, all adjustments (consisting of normal recurring adjustments) necessary to state fairly the Company's financial position as of March 31, 2017, the results of operations for the three months ended March 31, 2017 and 2016, the changes in shareholders' equity for the three months ended March 31, 2017, and cash flows for the three months ended March 31, 2017 and 2016, have been made. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted. It is suggested that these condensed consolidated financial statements be read in conjunction with the audited annual financial statements and notes thereto included in the Company's Annual Report for the year ended December 31, 2016 on Form 10-K, filed with the United States Securities and Exchange Commission on January 20, 2017. The results of operations for the three months ended March 31, 2017 are not necessarily indicative of the operating results for the full year.

DIPEXIUM PHARMACEUTICALS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

	March 31, 2017 (unaudited)	December 31, 2016 (Note 1)
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$ 12,414,004	$ 16,675,228
Interest Receivable	36,822	
Prepaid Expenses	83,018	359,015
TOTAL CURRENT ASSETS	12,533,844	17,034,243
OTHER ASSETS		
Note Receivable from advance to PLx Pharma, Inc.	2,000,000	-
Security Deposit	56,630	56,630
TOTAL OTHER ASSETS	2,056,630	56,630
TOTAL ASSETS	$ 14,590,474	$ 17,090,873
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	$ 462,136	$ 2,121,893
TOTAL LIABILITIES	462,136	2,121,893
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS' EQUITY		
Common Stock: $.001 par value, 30,000,000 shares authorized, 11,129,747 and 11,115,747 shares issued and outstanding at March 31, 2017 and December 31, 2016, respectively	11,130	11,116
Additional paid-in capital	78,029,657	77,340,448
Accumulated deficit	(63,912,449)	(62,382,584)
TOTAL SHAREHOLDERS' EQUITY	14,128,338	14,968,980
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 14,590,474	$ 17,090,873

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

DIPEXIUM PHARMACEUTICALS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended March 31,	
	2017	2016
REVENUES	$ -	$ -
EXPENSES		
OPERATING EXPENSES		
Research and Development Expenses	14,688	3,583,667
Selling, General and Administrative Expenses	1,552,329	2,247,207
TOTAL OPERATING EXPENSES	1,567,017	5,830,874
LOSS FROM OPERATIONS	(1,567,017)	(5,830,874)
Interest Income	37,152	14,242
NET LOSS	$ (1,529,865)	$ (5,816,632)
LOSS PER SHARE		
Basic and diluted net loss per common share	$ (0.14)	$ (0.56)
Weighted average common shares outstanding basic and diluted	11,123,991	10,315,726

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

DIPEXIUM PHARMACEUTICALS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Unaudited)

	Common Stock			Accumulated	Total
	Shares	Amount	Additional Paid-In Capital	Deficit	Shareholders' Equity
Balance at December 31, 2016	11,115,747	$ 11,116	$ 77,340,448	$ (62,382,584)	$ 14,968,980
Share-Based Compensation	14,000	14	689,209	-	689,223
Net Loss	-	-	-	(1,529,865)	(1,529,865)
Balance at March 31, 2017 (unaudited)	11,129,747	$ 11,130	$ 78,029,657	$ (63,912,449)	$ 14,128,338

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

DIPEXIUM PHARMACEUTICALS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Three Months Ended March 31,	
	2017	2016
Operating Activities:		
Net Loss	$ (1,529,865)	$ (5,816,632)
Adjustments to reconcile net loss to net cash used in operating activities:		
Share-Based Compensation	689,223	1,353,093
Share-Based Payments to Vendors	-	145,020
Amortization of short-term investment interest income	-	(14,135)
Change In:		
Prepaid Expenses	275,997	38,175
Interest Receivable	(36,822)	-
Security Deposit	-	(43,532)
Accounts Payable and Accrued Expenses	(1,659,757)	(737,160)
Net Cash Used In Operating Activities	(2,261,224)	(5,075,171)
Investing Activities:		
Note Receivable from advance to PLx Pharma, Inc.	(2,000,000)	-
Proceeds from Short-term Investments	-	8,000,000
Purchase of Short-term Investments	-	(3,990,107)
Net Cash Provided By (Used In) Investing Activities	(2,000,000)	4,009,893
Net Decrease In Cash and Cash Equivalents	(4,261,224)	(1,065,278)
Cash and Cash Equivalents at Beginning of Period	16,675,228	5,234,953
Cash and Cash Equivalents at End of Period	$ 12,414,004	$ 4,169,675

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

DIPEXIUM PHARMACEUTICALS, INC.
NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 — NATURE OF OPERATIONS and SIGNIFICANT ACCOUNTING POLICIES

Business

Dipexium Pharmaceuticals, Inc. (the "Company" or "Dipexium"), a Delaware corporation, formerly Dipexium Pharmaceuticals, LLC, is a pharmaceutical company focused on the development and commercialization of Locilex® (pexiganan cream 0.8%). The Company was formed on January 14, 2010. On October 25, 2016, the Company announced that its lead and sole product candidate, Locilex®, failed to meet the primary clinical endpoint or secondary endpoints in its OneStep-1 and OneStep-2 Phase 3 clinical trials. Dipexium's scientific team has evaluated the data from the OneStep clinical trials but has found no clear signal that Locilex® would be a strong product candidate for other possible clinical indications. Accordingly, Dipexium has explored strategic alternatives with its professional advisors and entered into a Merger Agreement with PLx Pharma Inc. ("PLx") on December 22, 2016 (the "Proposed Merger"), pursuant to which PLx is expected to take control over Dipexium and Dipexium's stockholders are expected to maintain approximately 23.25% of the combined ownership upon completion of the merger, subject to certain adjustments set forth in the Merger Agreement. The merger is expected to close in the second quarter of 2017. The Company or PLx may be required to pay a termination fee of $700,000 or $500,000, respectively, if the proposed merger is terminated under certain circumstances.

The Company has experienced net losses and negative cash flows from operations since inception and expects these conditions to continue for the foreseeable future. The Company has needed to raise capital from sales of its securities to sustain operations. In March 2014, the Company completed an initial public offering ("IPO") of common stock with proceeds, net of issuance costs, of approximately $34.5 million. In June 2015, the Company completed an additional public offering of common stock with net proceeds of approximately $19.7 million. As of March 31, 2017, the Company had cash totaling approximately $12.4 million. Assuming the merger is completed during the first half of 2017, Dipexium expects its cash as of March 31, 2017 to meet its liquidity requirements through at least its anticipated close of the merger, including the closing condition under the Merger Agreement to have at least $12.0 million of "cash," as defined in the Merger Agreement, available upon the closing of the merger. If the merger is not completed, Dipexium will need to reevaluate its strategic alternatives, which may include continuing to operate its business as an independent, stand-alone company, a sale of the Company, liquidation of the Company or other strategic transaction. Dipexium's liquidity position will be dependent upon the strategic alternative selected; however, assuming Dipexium does not enter into another strategic transaction, Dipexium expects its cash as of March 31, 2017 will be sufficient to meet its liquidity requirements through at least April 30, 2018. Additional financing would be required should Dipexium decide to commence a new clinical program for Locilex® in a new clinical indication. Cash needs to pursue a new clinical indication cannot even be estimated until a promising new indication for Locilex® to target is identified, if ever.

Under the proposed merger, the combined company will initially be focused on completion of manufacturing scale-up and label finalization for the previously conditionally approved AspertecTM 325 mg. aspirin dosage form thereby satisfying the open conditional items, and filing of a supplemental new drug application (sNDA) for Aspertec 81 mg. maintenance dose form. Aspertec is being developed to provide high-risk cardiovascular and neurology patients with more reliable and predictable antiplatelet efficacy as compared to enteric coated aspirin while also reducing the adverse gastric events common in an acute setting.

PLx stockholders will receive newly issued shares of common stock of Dipexium in connection with the Proposed Merger contemplated by the Merger Agreement. Upon the closing of the Proposed Merger, existing PLx stockholders are expected to own 76.75% of Dipexium common shares outstanding and existing Dipexium stockholders are expected to own 23.25% of Dipexium common shares outstanding, subject to certain adjustments set forth in the Merger Agreement.

The Company is subject to risks common to companies in the biopharmaceutical industry including, but not limited to, dependence on collaborative arrangements, development by the Company or its competitors of new technological innovations, dependence on key personnel, protection of proprietary technology, development of sales and marketing infrastructure and compliance with the Food and Drug Administration ("FDA") and other governmental regulations and approval requirements.

Unaudited Condensed Consolidated Interim Financial Data

The accompanying interim condensed consolidated financial statements are unaudited. These unaudited interim condensed consolidated financial statements have been prepared in accordance with the rules and regulations of the United States Securities and Exchange Commission ("SEC") for interim financial information. Accordingly, they do not include all the information and footnotes required by Generally Accepted Accounting Principles ("GAAP") for complete financial statements. These unaudited interim condensed consolidated financial statements should be read in conjunction with the audited financial statements and accompanying notes for the year ended December 31, 2016. The unaudited interim condensed consolidated financial statements have been prepared on the same basis as the annual financial statements included in the Company's Annual Report for the year ended December 31, 2016, and, in the opinion of management, reflect all the adjustments (consisting of normal recurring adjustments) necessary to state fairly the Company's financial position as of March 31, 2017, the results of operations for the three months ended March 31, 2017 and 2016, the changes in shareholders' equity for the three months ended March 31, 2017, and cash flows for the three months ended March 31, 2017 and 2016. The December 31, 2016 balance sheet included herein was derived from the audited financial statements, but may not include all disclosures required by GAAP for complete financial statements.

Basis of Consolidation

The Company's condensed consolidated financial statements include the accounts of the parent, Dipexium Pharmaceuticals, Inc., and Dipexium Pharmaceuticals Ireland, Limited, a wholly owned subsidiary. All significant intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates

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

Cash, Cash Equivalents, and Note Receivable

The Company maintains its cash balance in one financial institution. The balance is insured up to the maximum allowable by the Federal Deposit Insurance Company ("FDIC"). The Company has not experienced any losses in such accounts and does not believe it is exposed to any significant risk of loss on cash. At times, the cash balance may exceed the maximum limit of the FDIC.

The Company has a note receivable from an advance to PLx. Accrued interest on the note is included as a part of interest income and as interest receivable.

Research and Development

In accordance with Accounting Standards Codification ("ASC") 730, *Accounting for Research and Development Costs*, the Company expenses research and development costs when incurred. At times, the Company may make cash advances for research and development services. These amounts are capitalized and expensed in the period the service is provided. The Company incurred net research and development expenses in the amounts of $14,688 and $3,583,667 for the three months ended March 31, 2017 and 2016, respectively.

Although the Company manages the conduct of its clinical trials, it relies on third parties to conduct its clinical and preclinical studies and to provide services, including data management, statistical analysis and electronic compilation for clinical trials, as well as for the manufacture of clinical trial supplies. At the end of each reporting period, the Company compares the payments made to each service provider to the estimated progress towards completion of the related project. Factors that are considered in preparing these estimates include the number of subjects enrolled in studies, milestones achieved and other criteria related to the efforts of the vendors. These estimates are subject to change as additional information becomes available. Depending on the timing of payments to vendors and estimated services provided, the Company records net prepaid or accrued expenses related to these costs.

Share-Based Compensation

The Company accounts for the cost of services performed by officers and directors received in exchange for an award of Company membership interests, common stock, or stock options, based on the grant-date fair value of the award. In accordance with ASC 718, *Stock Compensation*, the Company recognizes compensation expense, net of estimated forfeitures, on a straight-line basis over the service period.

Share-Based Payments to Vendors

The Company accounts for the cost of services performed by vendors in exchange for an award of common stock of the Company based on the grant-date fair value of the award or fair value of the services rendered, whichever is more readily determinable and adjusted to fair value at each reporting date. Such fair value is measured as of the earlier of the date the other party becomes committed to provide goods or services or the date performance by the other party is complete. The Company recognizes the expense in the same period and in the same manner as if the Company had paid cash for the services.

Foreign Currency Translation and Transactions

The condensed consolidated financial statements are presented in U.S. Dollars ("USD"), the reporting currency of the Company. The functional currency for the Company's subsidiary located in Ireland is the USD. Transactions denominated in Euros were translated to USD at rates which approximate those in effect on transaction dates. Monetary assets and liabilities denominated in foreign currencies at March 31, 2017 were translated at the exchange rate in effect as of those dates. Nonmonetary assets, liabilities, and shareholders' equity are translated at the appropriate historical rates.

The Company has intercompany loans between the parent company, Dipexium Pharmaceuticals, Inc., based in New York, NY, and its wholly owned subsidiary, Dipexium Pharmaceuticals Ireland, Limited, based in Ireland. The intercompany loans outstanding are not expected to be repaid in the foreseeable future.

Income Taxes

The Company recognizes deferred tax assets and liabilities for temporary differences between the financial reporting basis and the tax basis of the Company's assets and liabilities and the expected benefits of net operating loss carryforwards. The impact of changes in tax rates and laws on deferred taxes, if any, applied during the years in which temporary differences are expected to be settled, is reflected in the financial statements in the period of enactment. The measurement of deferred tax assets is reduced, if necessary, if, based on weight of the evidence, it is more likely than not that some, or all, of the deferred tax assets will not be realized. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the period that such tax rate changes are enacted. The Company had no material amounts recorded for uncertain tax positions, interest or penalties in the accompanying financial statements. The Company currently estimates an annual effective tax rate of 0% as the Company incurred losses for the year ended December 31, 2016 and for the three months ended March 31, 2017, respectively, for both financial statement and tax purposes. Therefore, no Federal or state income tax expense has been recorded in the financial statements for the year ended December 31, 2016 and for the three months ended March 31, 2017, respectively.

Based on the Company's history of generating operating losses and its anticipation of operating losses continuing in the foreseeable future, the Company has determined that it is more likely than not that the tax benefits from these net operating losses would not be realized and a full valuation allowance against all deferred tax assets has been recorded at March 31, 2017 and December 31, 2016, respectively. In the event the Company becomes profitable for a period of two or more years, with future expectations at that time of profitability for future years prior to any significant change in its equity capitalization, the Company would have an opportunity to realize benefit from the deferred tax asset at such time in the future.

Recent Accounting Pronouncements

In January 2017, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2017-04, *Intangibles-Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment*, in an effort to simplify the subsequent measurement of goodwill and the associated procedures to determine fair value. The amendments of this ASU are effective for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. The adoption of this guidance is not expected to have a material impact on our financial statements.

In January 2017, the FASB issued ASU No. 2017-01, *Business Combinations (Topic 805): Clarifying the Definition of a Business*, in an effort to clarify the definition of a business with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. The amendments of this ASU are effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. The adoption of this guidance is not expected to have a material impact on our financial statements.

In August 2016, the FASB issued ASU No. 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*, in an effort to reduce the diversity of how certain cash receipts and cash payments are presented and classified in the statement of cash flows. The amendments of this ASU are effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. Early adoption is permitted. The Company is currently assessing the potential impact this ASU will have on the financial statements and related disclosures.

In March 2016, the FASB issued ASU No. 2016-09, *Compensation-Stock Compensation (Topic 718)*: *Improvements to Employee Share-Based Payment Accounting,* in an effort to simplify accounting for certain aspects of income tax accounting and accounting for forfeitures. The amendments of this ASU are effective for fiscal years beginning after December 15, 2016, and interim periods within those fiscal years. Early adoption is permitted. The adoption of this guidance is not expected to have a material impact on our financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which includes amendments that require lessees to recognize a lease liability for all long-term leases (lease terms more than 12 months) at the commencement date. The lease liability is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis. The amendments also require lessees to recognize a right-of-use asset for all long-term leases. The right-of-use asset is an asset that represents the lessee's right to use, or control the use of, a specified 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 to not recognize lease assets and lease liabilities. If a lessee makes this election, it should recognize lease expense for such leases generally on a straight-line basis over the lease term. The amendments in this ASU require qualitative disclosures along with specific quantitative disclosures. The amendments in this ASU are effective for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. Early application is permitted. Lessees (for capital and operating leases) and lessors (for sales-type, direct financing, and operating leases) must apply a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. The modified retrospective approach would not require any transition accounting for leases that expired before the earliest comparative period presented. The Company is currently evaluating the provisions of this ASU.

In November 2015, the FASB issued ASU No. 2015-17, *Income Taxes (Topic 740),* which requires that all deferred income tax assets and liabilities be presented as noncurrent in the balance sheet. The pronouncement is effective for financial statements issued for annual periods beginning after December 15, 2018 with early application permitted. The adoption of this guidance is not expected to have a material impact on our financial statements.

In August 2014, the FASB issued ASU 2014-15, *Presentation of Financial Statements—Going Concern*, which requires management of an entity to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the entity's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued. This update is effective for annual periods ending after December 15, 2016. The adoption of this standard did not have a material impact on our financial statements.

NOTE 2 — FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amount of certain of the Company's financial instruments, including cash, note receivable, and accounts payable, is shown at cost, which approximates fair value. Short-term investments with maturities ranging from six to twelve months are classified as being held to maturity and are carried at amortized cost. There were $0 short-term investments as of March 31, 2017 and December 31, 2016.

The Company had total amortized interest income for the three months ended March 31, 2017 and 2016 of $0 and $14,135, respectively.

NOTE 3 — NOTE RECEIVABLE

On January 6, 2017, in connection with the execution of the Merger Agreement, Dipexium loaned PLx $2.0 million (the "Bridge Loan").

The Bridge Loan accrues interest on all outstanding principal at a rate of 8% per annum and has a maturity date that is the later of (a) October 15, 2017, or (b) the date that is two hundred seventy (270) days following the termination of the Merger Agreement, subject to acceleration in the event that (i) the Merger Agreement is terminated by Dipexium if PLx has breached any of its representations, warranties, covenants or agreements contained in the Merger Agreement such that the conditions to the closing of the Proposed Merger would not be satisfied as of the time of such breach or inaccuracy, but if such breach or inaccuracy is curable, then the Merger Agreement will not terminate pursuant to this provision as a result of a particular breach or inaccuracy until the expiration of a 30-day period after delivery of written notice of such breach or inaccuracy if such breach has not been cured; and (ii) PLx thereafter consummates a financing of at least $10.0 million or conducts a reorganization, consolidation, or merger of PLx pursuant to which the holders of PLx's securities prior to such transaction beneficially own less than 50% of the outstanding voting securities of the surviving entity after the transaction or the consummation of the sale, lease, transfer, conveyance or other disposition in one or a series of transactions, of all or substantially all of PLx's assets, or PLx and its subsidiaries, taken as a whole, to any person or entity.

The Bridge Loan is secured by a first priority perfected security interest in and lien on all right, title and interest of PLx in and to substantially all of its assets. Upon the occurrence of any of the following events that results in a termination of the Merger Agreement, any security interest created by the promissory note shall immediately cease to be effective:

- if the closing shall not have occurred on or before April 30, 2017 (or such later date as agreed to by the parties to the Merger Agreement) (the "outside date"), except that the right to so terminate the Merger Agreement will not be available to Dipexium or PLx if its failure to fulfill any obligation under the Merger Agreement has been a principal cause of, or resulted in the failure of the closing to occur by such date; and provided, further, however, that, in the event that this joint proxy statement/prospectus is still being reviewed or commented on by the SEC after March 15, 2017, either party shall be entitled to extend the outside date by an additional sixty (60) days. The SEC declared the joint merger proxy effective on March 17, 2017;

- (i) if the Dipexium board of directors changes its recommendation to approve the issuance of shares of Dipexium common stock necessary to complete the Proposed Merger, (ii) if Dipexium materially breaches its non-solicitation covenants in the Merger Agreement, or (iii) if Dipexium breaches any of its representations, warranties, covenants or other agreements contained in the Merger Agreement, which breach or failure would render the conditions precedent to PLx's obligations under the Merger Agreement not to be satisfied and which breach is not cured within 30 days following written notice of such breach or by its nature or timing cannot be cured within that time; or

- if Dipexium enters into an agreement providing for a "superior proposal".

Interest income of $36,822 and $0 was recorded for the three months ended March 31, 2017 and 2016, respectively.

NOTE 4 — ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses at March 31, 2017 and December 31, 2016 are as follows:

	March 31, 2017	December 31, 2016
Accrued compensation expense	$ 17,463	$ 579,207
Accrued research and development	283,123	460,219
Accrued professional fees	101,455	1,040,184
Other accounts payable and accrued expenses	60,095	42,283
Totals	$ 462,136	$ 2,121,893

NOTE 5 — SHARE-BASED COMPENSATION and STOCK OPTIONS

Prior to the Company's IPO, the Company granted awards of restricted Class A Membership Interests to board members in exchange for services. These membership interests awards, which were converted to restricted common shares (7:1 ratio) at the time of the corporate conversion in March 2014, were originally scheduled to vest over a period of either three or four years with the first year beginning on the date the member joined the board. In each case, the restricted common shares involved accelerated vesting upon a change of control or other business combination. The fair value of the membership interests, at the time they were granted, was equal to the per-membership interest value of the most recent private placement ($50 per membership interest on a pre-conversion basis). Total compensation expense in the amount of $20,833 and $25,000 has been recognized as director fees for the three months ended March 31, 2017 and 2016, respectively.

The following table summarizes the restricted common stock at March 31, 2017:

	Restricted Common Stock
Nonvested at January 1, 2017	14,000
Granted	—
Forfeited	—
Vested	(14,000)
Nonvested at March 31, 2017	-

As of March 31, 2017, there was $0 of total unrecognized compensation expense related to these awards.

In November 2013, the board of directors adopted the 2013 Equity Incentive Plan. The plan became effective as of the completion of the corporate conversion and the closing of the IPO. The 2013 Equity Incentive Plan currently reserves 2,141,169 common shares, of which 7,824 are still available for issuance. The purpose of the plan is to attract and retain directors, officers, and employees whose services are considered valuable to the Company.

In January 2017, the Company granted stock options to purchase 688,332 common shares to its employees and outside directors. The options were issued pursuant to the 2013 Equity Incentive Plan at an exercise price of $1.80, with one-half of the options vesting upon issuance and the balance vesting evenly over the subsequent 24 months.

Compensation expense associated with these awards is recognized over the vesting period based on the fair value of the option at the grant date determined based on the Black-Scholes model. Option valuation models require the input of highly subjective assumptions including the expected price volatility. The Company's employee stock options have characteristics significantly different from those of traded options, and changes in the subjective input assumptions can materially affect the fair value estimate.

Because there is no public market for the Company's stock options and very little historical experience with the Company's stock, similar public companies were used for comparison and expectations as to the price volatility assumptions required for fair value computation using the Black-Scholes methodology.

The Company determined the fair value of the option awards using the Black-Scholes option pricing model and the following weighted average assumptions for options issued during the respective periods:

	Three Months Ended March 31, 2017	Three Months Ended March 31, 2016
Expected term	4.09 years	5.55 years
Volatility	77.0%	63.3%
Dividend yield	0%	0%
Risk free interest rate	1.64%	1.54%

ASC 718 requires stock compensation expense to be recorded net of estimated forfeitures. The Company currently estimates there will be no forfeitures of options.

A summary of the Company's stock option activity is as follows:

	Number of Options	Weighted Average Exercise Price
Outstanding at the beginning of the period	1,445,013	$ 12.64
Granted	688,332	$ 1.80
Forfeited	—	
Outstanding and expected to vest at March 31, 2017	2,133,345	$ 9.14

Compensation expense relating to options for the three months ended March 31, 2017 and 2016 was $668,390 and $1,328,093, respectively. The total compensation expense not yet recognized as of March 31, 2017 was $573,213. The weighted average vesting period over which the total compensation expense will be recorded related to unvested options not yet recognized as of March 31, 2017 was approximately 1.7 years. The weighted average grant date fair value of options granted during the three month period was $0.83 and $4.66 as of March 31, 2017 and 2016, respectively. The intrinsic value of the stock options was $0 as of March 31, 2017 and 2016, with a remaining weighted average contractual life of 5.47 years. Total options excercisable at March 31, 2017 were 1,746,282.

NOTE 6 — SHARE-BASED PAYMENTS TO VENDORS

In the ordinary course of business, the Company may issue restricted stock for services rendered by a vendor. The vesting of restricted stock and the associated expense for the services rendered are recorded over the term of the related contract. Research and development expenses resulting from vendor equity issuances for the three months ended March 31, 2017 and 2016 were $0 and $145,020, respectively.

NOTE 7 — LEASE OF OFFICE SPACE

In January 2016, the Company entered into a lease for office space commencing in March 2016. The term of the lease is for five years and five months with total minimum lease payments of approximately $1.28 million. The future minimum lease payments under this lease are as follows:

Year ending December 31:	
2017	$ 174,438
2018	238,004
2019	244,658
2020	251,522
2021	150,347
Total	$ 1,058,969

NOTE 8 — LEGAL MATTERS

The Company and its two original executives were three of some 30 defendants in a lawsuit filed by a former stockholder of Genaera Corporation, which was the predecessor of the Genaera Liquidating Trust, the party from which the Company purchased the worldwide rights to pexiganan, the active pharmaceutical ingredient of Locilex®, on April 8, 2010. The complaint was filed on June 8, 2012 in the United States District Court for the Eastern District of Pennsylvania (Civil Action No. 12-3265) by Alan W. Schmidt, individually and on behalf of former Genaera Corporation shareholders. Among others, the suit was filed against the Company, as well as John A. Skolas and Argyce, LLC, who were responsible for the administration of the Trust and who sold pexiganan to the Company via a public auction. The defendants listed in the complaint included several individuals and companies formerly associated with Genaera Corporation, the Trust and/or Argyce, LLC. Also included in the defendant group were several other pharmaceutical companies that were involved in acquiring the former drug-related assets of Genaera Corporation.

The complaint alleged, among other things, that the Company and its two executives aided and abetted a breach of fiduciary duty alleged to have been committed by the former directors and officers of Genaera Corporation before it was approved for dissolution by its shareholders and also Argyce, LLC, the trustee of the Liquidating Trust. Plaintiff claims that the Company, and its executives, aided and abetted a breach of the duties of the board of directors and the trustee under common law and under a certain trust agreement allegedly signed between Argyce, LLC, as the trustee, and the Liquidating Trust. With regard to the claims made against the Company and its two executives, the plaintiff alleged, in pertinent part, that the Company's acquisition of the pexiganan rights was for alleged inadequate consideration, and that the Company and its management aided and abetted a breach of fiduciary duty by the Genaera Corporation defendants who were formerly associated with Genaera Corporation and/or the Trust.

The Company and its two executives filed a motion to dismiss the complaint within the prescribed time period. All of the other defendants in this litigation also filed motions to dismiss, and a court order by the Federal District Court granted each and every motion to dismiss, with prejudice, without leave to refile, on August 12, 2013 based on the argument that plaintiff's claims were time barred. A subsequent motion to reconsider such dismissal was denied by the Federal District Court. Plaintiff appealed the dismissal to the United States Third Circuit Court of Appeals seeking reversal of the dismissal and the Third Circuit Court granted plaintiff's appeal. On October 17, 2014, the Third Circuit Appellate Court, in a 2-1 decision with a strong dissenting opinion, reversed the trial court's dismissal of Plaintiff's claims based on the expiration of the applicable statutes of limitation. In a 2-1 decision, the Third Circuit held that more information was necessary to determine when plaintiff should have been on notice of his claims to determine the applicability of the discovery rule, which could serve to extend the time frame in which plaintiff could bring his claims. Due to the strong dissent, all Defendants filed the necessary documents requesting a petition for rehearing en banc, by the majority of the Third Circuit justices who are in active service. The Third Circuit denied the request for en banc hearing and remanded this case to District Court.

Upon remand to the Federal District Court, all Defendants moved to dismiss the complaint for reasons other than being time barred. The Company and its two executives moved for dismissal based on plaintiff's inability to make a case for aiding and abetting a breach of fiduciary duty because there was no underlying breach and such an aiding and abetting claim requires an element of knowing participation in the fiduciary breach which cannot be established by plaintiff.

The District Court held a hearing on this in September 2015 and the District Court delivered an Order on November 10, 2015 pursuant to which the District Court granted the Motion to Dismiss filed by each and every defendant including the Company and its two executives. In December 2015, plaintiff appealed the Federal District Court's decision to the Third Circuit Appellate Court and the Company anticipates a decision on whether to grant plaintiff's appeal by the Third Circuit Appellate Court in the first half of 2017. The Company will continue to vigorously defend against plaintiff's claims on the factual record, which it believes will prove that neither the Company nor its executives is liable to the plaintiff in any regard.

NOTE 9 — RELATED PARTY TRANSACTIONS

The Company engaged the consulting services of Drug Development Advisors ("DDA") pursuant to which DDA performed detailed analysis on a number of the Company's preclinical studies in connection with the NDA process. DDA is owned and operated by a member of the Company's board of directors. The Company incurred expenses for services provided by DDA in the amounts of $0 and $5,167 for the three months ended March 31, 2017 and 2016, respectively, for the all of which were recorded in research and development expenses.

NOTE 10 — NET LOSS PER SHARE

Basic and diluted net loss per common share for the three months ended March 31, 2017 and 2016 was determined by dividing net loss by the weighted average common shares outstanding during the period. The Company's potentially dilutive shares, which include 2,133,345 stock options and 10,500 warrants, have not been included in the computation of diluted net loss per share for all periods as the result would be antidilutive.

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

FORWARD-LOOKING STATEMENT NOTICE

This Form 10-Q contains certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. For this purpose, any statements contained in this Form 10-Q that are not statements of historical fact may be deemed to be forward-looking statements. Without limiting the foregoing, words such as "may," "will," "expect," "believe," "anticipate," "estimate" or "continue" or comparable terminology are intended to identify forward-looking statements. These statements by their nature involve substantial risks and uncertainties, and actual results may differ materially depending on a variety of factors, many of which are not within our control. These factors include but are not limited to economic conditions generally and in the industries in which we may participate; competition within our chosen industry, including competition from much larger competitors; technological advances and failure to successfully develop business relationships. Unless the context indicates otherwise, as used in this report, the terms "Dipexium," "we," "us," "our," "our company" and "our business" refer, prior to the corporate conversion discussed herein, to Dipexium Pharmaceuticals, LLC, and after the corporate conversion to Dipexium Pharmaceuticals, Inc.

Description of Business

Dipexium Pharmaceuticals, Inc. (the "Company" or "Dipexium"), a Delaware corporation, formerly Dipexium Pharmaceuticals, LLC, is a pharmaceutical company focused on the development and commercialization of Locilex® (pexiganan cream 0.8%). The Company was formed on January 14, 2010. On October 25, 2016, the Company announced that its lead and sole product candidate, Locilex®, failed to meet the primary clinical endpoint or secondary endpoints in its OneStep-1 and OneStep-2 Phase 3 clinical trials. Dipexium's scientific team has evaluated the data from the OneStep clinical trials but has found no clear signal that Locilex® would be a strong product candidate for other possible clinical indications. Accordingly, Dipexium has explored strategic alternatives with its professional advisors and entered into a Merger Agreement with PLx Pharma Inc. ("PLx") on December 22, 2016 ("proposed merger"), pursuant to which PLx is expected to take control over Dipexium and Dipexium's stockholders are expected to maintain approximately 23.25% of the combined ownership upon completion of the merger, subject to certain adjustments set forth in the Merger Agreement. The merger is expected to close in the second quarter of 2017. The Company or PLx may be required to pay a termination fee of $700,000 or $500,000, respectively, if the proposed merger is terminated under certain circumstances.

Plan of Operation

Under the proposed merger, the combined company will initially be focused on completion of manufacturing scale-up and label finalization for the previously conditionally approved AspertecTM 325 mg. aspirin dosage form thereby satisfying the open conditional items, and filing of a supplemental new drug application (sNDA) for Aspertec 81 mg. maintenance dose form. Aspertec is being developed to provide high-risk cardiovascular and neurology patients with more reliable and predictable antiplatelet efficacy as compared to enteric coated aspirin while also reducing the adverse gastric events common in an acute setting.

Opportunities, Challenges and Risks

If the Proposed Merger is not consummated, our business and ability to execute our business strategy are subject to a number of risks and challenges including, without limitation, the following:

- *We are heavily dependent on attaining regulatory approval for and, if approved, successfully commercializing Locilex®.* Locilex® is our only product candidate. As such, all of our resources and efforts have been and are expected for the foreseeable future to be dedicated to the development and commercialization of Locilex® which recently failed to meet the primary and secondary endpoints in our OneStep-1 and OneStep-2 clinical trials. If our efforts fail to develop an appropriate regulatory strategy for Locilex, this will have a negative and substantial impact on the Company's viability unless we are able to develop or acquire other product candidates.

- *The regulatory pathway for Locilex, if any, has yet to be identified.* Review of the comprehensive data from the OneStep clinical trials is ongoing. The Company has no clear clinical or regulatory pathway forward for Locilex®, the sole product of the Company, and no assurance can be given that an appropriate clinical and regulatory pathway exists. This process is inherently unpredictable, and if we are ultimately unable to identify an appropriate regulatory pathway forward for Locilex®, our business will be substantially harmed.

- *Manufacturing issues may prevent Locilex® from receiving regulatory approval.* Although we believe that we have successfully resolved the manufacturing issues encountered by Locilex®'s prior sponsor and previously identified by the FDA, to the extent that such issues are not resolved or to the extent new issues arise, regulatory approval for Locilex® may be delayed or withheld, and we may not be able to meet the developmental milestones necessary to continue our business.

Results of Operations

Three Months Ended March 31, 2017 Compared to the Three Months Ended March 31, 2016

Summary Table

The following table presents a summary of the changes in our results of operations for the three months ended March 31, 2017 compared with the three months ended March 31, 2016:

	Three Months Ended March 31,		Percentage
	2017	2016	Increase (Decrease)
	(in thousands)		
Research and Development Expenses	$ 15	$ 3,584	(99)%
Selling, General and Administrative Expenses	$ 1,552	$ 2,247	(31)%
Total Operating Expenses	$ 1,567	$ 5,831	(73)%
Interest Income	$ 37	$ 14	164%
Net Loss	$ 1,530	$ 5,817	(74)%

Research and Development Expenses

Research and development expenses were $0.02 million for the three months ended March 31, 2017, and $3.6 million for the three months ended March 31, 2016, a decrease of $3.5 million. The decrease was due to the completion of the clinical trials in 2016 and the reduction of all clinical trial related expenses.

Selling, General and Administrative Expenses

Selling, general and administrative expenses were $1.6 million for the three months ended March 31, 2017, and $2.2 million for the three months ended March 31, 2016, a decrease of $0.6 million. This was due primarily to a decrease of $1.0 million in compensation related expenses due to the fewer employees as a result of the failure of the OneStep Phase 3 clincial trials, offset by increased legal and professional fees due to the proposed merger.

Net Loss

Net loss was $1.5 million for the three months ended March 31, 2017, and $5.8 million for the three months ended March 31, 2016, a decrease of $4.3 million, primarily due to a decrease in research and development expenses and selling, general and administrative expenses, respectively, due to the reasons stated above.

Liquidity and Capital Resources

Overview

We have generated no revenue from operations and we have incurred cumulative losses of approximately $63.9 million since inception. We have funded our operations primarily from equity issuances. On March 18, 2014, we closed an initial public offering of 3,162,500 shares of our common stock at a public offering price of $12.00 per share. Gross proceeds raised by us in the offering were approximately $38.0 million, and net proceeds to us were approximately $34.5 million.

On June 30, 2015, we completed a stock offering issuing 1,702,000 shares of common stock at a price of $12.50 per share, resulting in gross proceeds of $21.3 million and net proceeds of $19.7 million after deducting underwriting discounts of $1.3 million and offering costs of approximately $0.3 million.

The Company has experienced net losses and negative cash flows from operations since inception and expects these conditions to continue for the foreseeable future. The Company has needed to raise capital from sales of its securities to sustain operations. In March 2014, the Company completed an initial public offering ("IPO") of common stock with proceeds, net of issuance costs, of approximately $34.5 million. In June 2015, the Company completed an additional public offering of common stock with net proceeds of approximately $19.7 million. As of March 31, 2017, the Company had cash and short-term notes receivable totaling approximately $14.4 million. Assuming the merger is completed during the first half of 2017, Dipexium expects its cash as of March 31, 2017 to meet its liquidity requirements through at least its anticipated close of the merger, including the closing condition under the Merger Agreement to have at least $12.0 million of "cash," as defined in the Merger Agreement, available upon the closing of the merger. If the merger is not completed, Dipexium will need to reevaluate its strategic alternatives, which may include continuing to operate its business as an independent, stand-alone company, a sale of the Company, liquidation of the Company or other strategic transaction. Dipexium's liquidity position will be dependent upon the strategic alternative selected; however, assuming Dipexium does not enter into another strategic transaction, Dipexium expects its cash as of March 31, 2017 will be sufficient to meet its liquidity requirements through at least April 30, 2018. Additional financing would be required should Dipexium decide to commence a new clinical program for Locilex® in a new clinical indication. Cash needs to pursue a new clinical indication cannot even be estimated until a promising new indication for Locilex® to target is identified, if ever.

As of March 31, 2017, we had working capital of approximately $12.0 million, consisting primarily of $12.4 million of cash, offset by $0.5 million of accounts payable and accrued expenses.

The following tables sets forth selected cash flow information for the periods indicated:

	For the three months ended March 31,	
	2017	2016
	(in thousands)	
Net cash used in operating activities	$ (2,261)	$ (5,075)
Net cash provided by (used in) investing activities	(2,000)	4,010
Net decrease in cash	$ (4,261)	$ (1,065)

Net Cash Used in Operating Activities

Net cash used in operating activities was $2.3 million for the three months ended March 31, 2017. The net loss for this period was less than the net cash used in operating activities by $0.8 million, which was primarily attributable to $0.7 million of share-based compensation, a $0.3 million decrease in prepaid expenses, offset by a $1.7 million decrease in accounts payable and accrued expenses.

Net cash used in operating activities was $5.1 million for the three months ended March 31, 2016. The net loss for this period was greater than the net cash used in operating activities by $0.7 million, which was primarily attributable to $1.5 million of share-based compensation offset by a $0.8 million decrease in accounts payable and accrued expenses.

Net Cash Provided by Investing Activities

Net cash used in investing activities for the three months ended March 31, 2017 was $2.0 million, which was attributable to the Company's purchase of a note receivable from advance to PLx.

Net cash provided by investing activities for the three months ended March 31, 2016 was $4.0 million, which was attributable to the Company's net investments and maturities of United States Treasury Bills.

Contractual Obligations

In January 2016, the Company entered into a lease for office space commencing in March 2016. The term of the lease is for five years and five months with total minimum lease payments of approximately $1.28 million.

Recent Accounting Pronouncements

In January 2017, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2017-04, *Intangibles-Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment*, in an effort to simplify the subsequent measurement of goodwill and the associated procedures to determine fair value. The amendments of this ASU are effective for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. The adoption of this guidance is not expected to have a material impact on our financial statements.

In January 2017, the FASB issued ASU No. 2017-01, *Business Combinations (Topic 805): Clarifying the Definition of a Business*, in an effort to clarify the definition of a business with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. The amendments of this ASU are effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. The adoption of this guidance is not expected to have a material impact on our financial statements.

In August 2016, the FASB issued ASU No. 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*, in an effort to reduce the diversity of how certain cash receipts and cash payments are presented and classified in the statement of cash flows. The amendments of this ASU are effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. Early adoption is permitted. The Company is currently assessing the potential impact this ASU will have on the financial statements and related disclosures.

In March 2016, the FASB issued ASU No. 2016-09, *Compensation-Stock Compensation (Topic 718)*: *Improvements to Employee Share-Based Payment Accounting,* in an effort to simplify accounting for certain aspects of income tax accounting and accounting for forfeitures. The amendments of this ASU are effective for fiscal years beginning after December 15, 2016, and interim periods within those fiscal years. Early adoption is permitted. The adoption of this guidance is not expected to have a material impact on our financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which includes amendments that require lessees to recognize a lease liability for all long-term leases (lease terms more than 12 months) at the commencement date. The lease liability is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis. The amendments also require lessees to recognize a right-of-use asset for all long-term leases. The right-of-use asset is an asset that represents the lessee's right to use, or control the use of, a specified 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 to not recognize lease assets and lease liabilities. If a lessee makes this election, it should recognize lease expense for such leases generally on a straight-line basis over the lease term. The amendments in this ASU require qualitative disclosures along with specific quantitative disclosures. The amendments in this ASU are effective for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. Early application is permitted. Lessees (for capital and operating leases) and lessors (for sales-type, direct financing, and operating leases) must apply a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. The modified retrospective approach would not require any transition accounting for leases that expired before the earliest comparative period presented. The Company is currently evaluating the provisions of this ASU.

In November 2015, the FASB issued ASU No. 2015-17, *Income Taxes (Topic 740),* which requires that all deferred income tax assets and liabilities be presented as noncurrent in the balance sheet. The pronouncement is effective for financial statements issued for annual periods beginning after December 15, 2018 with early application permitted. The adoption of this guidance is not expected to have a material impact on our financial statements.

In August 2014, the FASB issued ASU 2014-15, *Presentation of Financial Statements—Going Concern*, which requires management of an entity to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the entity's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued. This update is effective for annual periods ending after December 15, 2016. The adoption of this standard did not have a material impact on our financial statements.

Critical Accounting Policies and Estimates

On April 5, 2012, the JOBS Act was signed into law. The JOBS Act contains provisions that, among other things, reduce certain reporting requirements for qualifying public companies. As an "emerging growth company," we may, under Section 7(a)(2)(B) of the Securities Act of 1933 (or Securities Act), delay adoption of new or revised accounting standards applicable to public companies until such standards would otherwise apply to private companies. We may take advantage of this extended transition period until the first to occur of the date that we (i) are no longer an "emerging growth company" or (ii) affirmatively and irrevocably opt out of this extended transition period. We have elected to take advantage of the benefits of this extended transition period. Our financial statements may therefore not be comparable to those of companies that comply with such new or revised accounting standards. Until the date that we are no longer an "emerging growth company" or affirmatively and irrevocably opt out of the exemption provided by Securities Act Section 7(a)(2)(B), upon issuance of a new or revised accounting standard that applies to our financial statements and that has a different effective date for public and private companies, we will disclose the date on which adoption is required for non-emerging growth companies and the date on which we will adopt the recently issued accounting standard. Our 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 accounting principles generally accepted in the United States, or GAAP. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities and expenses. On an ongoing basis, we evaluate these estimates and judgments, including those described below. We base our estimates on our historical experience and on various other assumptions that we believe to be reasonable under the circumstances. These estimates and assumptions form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results and experiences may differ materially from these estimates.

Share-Based Compensation

We account for the cost of services performed by employees and directors received in exchange for common stock, or stock options, based upon the grant date fair value of the award. In accordance with the Accounting Standards Codification, we recognize compensation expense, net of estimated forfeitures, on a straight-line basis over the vesting period.

We account for the cost of services performed by vendors in exchange for an award of membership interests or common stock based upon the grant date fair value of the award or fair value of the services rendered, whichever is more readily determinable. In accordance with the Accounting Standards Codification, we recognize the expense in the same period and in the same manner as if we had paid cash for the services.

Research and Development Expenses

Although we manage the conduct of our own clinical trials, we rely on third parties to conduct our preclinical studies and to provide services, including data management, statistical analysis and electronic compilation for our clinical trials, as well as for the manufacture of our clinical trial supplies. At the end of each reporting period, we compare the payments made to each service provider to the estimated progress towards completion of the related project. Factors that are considered in preparing these estimates include the number of subjects enrolled in studies, milestones achieved and other criteria related to the efforts of our vendors. These estimates are subject to change as additional information becomes available. Depending on the timing of payments to vendors and estimated services provided, we record net prepaid or accrued expenses related to these costs.

Off-Balance Sheet Arrangements

We did not have, during the periods presented, and we are currently not party to, any off-balance sheet arrangements.

Seasonality

We do not have a seasonal business cycle. Our operating results are generally derived evenly throughout the calendar year.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Not required by smaller reporting companies.

ITEM 4. CONTROLS AND PROCEDURES.

Evaluation of Disclosure Controls and Procedures. We carried out an evaluation, under the supervision and with the participation of our management, including our principal executive officer, and principal financial and accounting officer, of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the ‘‘Exchange Act’’). Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the Exchange Act is accumulated and communicated to the issuer’s management, including its principal executive, and principal financial and accounting officer, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. Based upon our evaluation, our principal executive officer, and principal financial and accounting officer concluded that our disclosure controls and procedures are effective as of March 31, 2017, in ensuring that material information that we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission rules and forms.

Changes in Internal Control over Financial Reporting. There were no changes in our system of internal controls over financial reporting during the period covered by this report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II — OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

From time to time, we may become involved in various lawsuits and legal proceedings, which arise in the ordinary course of business. Litigation is subject to inherent uncertainties, and an adverse result in these or other matters may arise from time to time that may harm our business.

The Company and its two original executives were three of some 30 defendants in a lawsuit filed by a former stockholder of Genaera Corporation, which was the predecessor of the Genaera Liquidating Trust, the party from which the Company purchased the worldwide rights to pexiganan, the active pharmaceutical ingredient of the Locilex® on April 8, 2010. The complaint was filed on June 8, 2012 in the United States District Court for the Eastern District of Pennsylvania (Civil Action No. 12-3265) by Alan W. Schmidt, individually and on behalf of former Genaera Corporation shareholders. Among others, the suit was filed against the Company, as well as John A. Skolas and Argyce, LLC, who were responsible for the administration of the Trust and who sold pexiganan to the Company via a public auction. The defendants listed in the complaint included several individuals and companies formerly associated with Genaera Corporation, the Trust and/or Argyce, LLC. Also included in the defendant group were several other pharmaceutical companies that were involved in acquiring the former drug-related assets of Genaera Corporation.

The complaint alleged, among other things, that the Company and its two executives aided and abetted a breach of fiduciary duty alleged to have been committed by the former directors and officers of Genaera Corporation before it was approved for dissolution by its shareholders and also Argyce, LLC, the trustee of the Liquidating Trust. Plaintiff claims that the Company, and its executives, aided and abetted a breach of the duties of the board of directors and the trustee under common law and under a certain trust agreement allegedly signed between Argyce, LLC, as the trustee, and the Liquidating Trust. With regard to the claims made against the Company and its two executives, the plaintiff alleged, in pertinent part, that the Company's acquisition of the pexiganan rights was for alleged inadequate consideration, and that the Company and its management aided and abetted a breach of fiduciary duty by the Genaera Corporation defendants who were formerly associated with Genaera Corporation and/or the Trust.

The Company and its two executives filed a motion to dismiss the complaint within the prescribed time period. All of the other defendants in this litigation also filed motions to dismiss, and a court order by the Federal District Court granted each and every motion to dismiss, with prejudice, without leave to refile, on August 12, 2013 based on the argument that plaintiff's claims were time barred. A subsequent motion to reconsider such dismissal was denied by the Federal District Court. Plaintiff appealed the dismissal to the United States Third Circuit Court of Appeals seeking reversal of the dismissal and the Third Circuit Court granted plaintiff's appeal. On October 17, 2014, the Third Circuit Appellate Court, in a 2-1 decision with a strong dissenting opinion, reversed the trial court's dismissal of plaintiff's claims based on the expiration of the applicable statutes of limitation. In a 2-1 decision, the Third Circuit held that more information was necessary to determine when plaintiff should have been on notice of his claims to determine the applicability of the discovery rule, which could serve to extend the time frame in which plaintiff could bring his claims. Due to the strong dissent, all Defendants filed the necessary documents requesting a petition for rehearing en banc, by the majority of the Third Circuit justices who are in active service. The Third Circuit denied the request for en banc hearing and remanded this case to District Court.

Upon remand to the Federal District Court, all Defendants moved to dismiss the complaint for reasons other than being time barred. The Company and its two executives moved for dismissal based on plaintiff's inability to make a case for aiding and abetting a breach of fiduciary duty because there was no underlying breach and such an aiding and abetting claim requires an element of knowing participation in the fiduciary breach which cannot be established by plaintiff.

The District Court held a hearing on this in September 2015 and the District Court delivered an Order on November 10, 2015 pursuant to which the District Court granted the Motion to Dismiss filed by each and every defendant including the Company and its two executives. In December 2015, plaintiff appealed the Federal District Court's decision to the Third Circuit Appellate Court and we anticipate a decision on whether to grant plaintiff's appeal by the Third Circuit Appellate Court in the first half of 2017. The Company will continue to vigorously defend plaintiff's claims on the factual record, which it believes will prove that neither the Company nor its executives is liable to the plaintiff in any regard.

ITEM 1A. RISK FACTORS

Not Applicable to a smaller reporting company.

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

None

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

None

ITEM 4. MINE SAFETY DISCLOSURES

Not Applicable.

ITEM 5. OTHER INFORMATION.

None

ITEM 6. EXHIBITS

Copies of the following documents are included as exhibits to this report pursuant to Item 601 of Regulation S-K.

Exhibit No.	Title of Document	Location
31.1	Certification of the Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Attached
31.2	Certification of the Principal Financial and Accounting Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Attached
32.1	Certification of the Principal Executive Officer pursuant to U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002*	Attached
32.2	Certification of the Principal Financial and Accounting Officer pursuant to U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002*	Attached
101.INS	X XBRL Instance Document	Attached
101.SCH	X XBRL Taxonomy Extension Schema Document	Attached
101.CAL	X XBRL Taxonomy Calculation Linkbase Document	Attached
101.DEF	X XBRL Taxonomy Extension Definition Linkbase Document	Attached
101.LAB	X XBRL Taxonomy Label Linkbase Document	Attached
101.PRE	X XBRL Taxonomy Presentation Linkbase Document	Attached

* The Exhibit attached to this Form 10-Q shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934 (the “Exchange Act”) or otherwise subject to liability under that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as expressly set forth by specific reference in such filing.

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.

DIPEXIUM PHARMACEUTICALS, INC.

Date: April 17, 2017

By: */s/ David P. Luci*
David P. Luci
President and Chief Executive Officer (Duly Authorized Officer and Principal Executive Officer)

By: */s/ Robert G. Shawah*
Robert G. Shawah
Chief Accounting Officer and Treasurer (Duly Authorized Officer and Principal Financial and Accounting Officer)

Exhibit 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002

I, David P. Luci, certify that:

1. I have reviewed this Form 10-Q of Dipexium Pharmaceuticals, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods present in this report;

4. The registrant's other certifying officer (s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13-a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financing reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involved management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dipexium Pharmaceuticals, Inc.

By: /s/ *David P. Luci*
David P. Luci
President and Chief Executive Officer
(Principal Executive Officer)

April 17, 2017

Exhibit 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL AND ACCOUNTING OFFICER
PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002

I, Robert G. Shawah, certify that:

1. I have reviewed this Form 10-Q of Dipexium Pharmaceuticals, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods present in this report;

4. The registrant's other certifying officer (s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13-a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financing reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involved management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dipexium Pharmaceuticals, Inc.

By: /s/ *Robert G. Shawah*
Robert G. Shawah
Chief Accounting Officer and Treasurer
(Principal Financial and Accounting Officer)

April 17, 2017

Exhibit 32.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Dipexium Pharmaceuticals, Inc. (the "Company") on Form 10-Q for the quarterly period ended March 31, 2017 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, David P. Luci, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2. The information contained in the Quarterly Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Dipexium Pharmaceuticals, Inc.

By: /s/ *David P. Luci*
David P. Luci
President and Chief Executive Officer
(Principal Executive Officer)

April 17, 2017

Exhibit 32.2

CERTIFICATION OF PRINCIPAL FINANCIAL AND ACCOUNTING OFFICER PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Dipexium Pharmaceuticals, Inc. (the "Company") on Form 10-Q for the quarterly period ended March 31, 2017 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Robert G. Shawah, Chief Accounting Officer and Treasurer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2. The information contained in the Quarterly Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Dipexium Pharmaceuticals, Inc.

By: /s/ *Robert G. Shawah*
Robert G. Shawah
Chief Accounting Officer and Treasurer
(Principal Financial and Accounting Officer)

April 17, 2017