

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

SCHEDULE 14A  
Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934

Filed by the Registrant   
Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement  
 **Confidential, For Use of the Commission Only (as Permitted by Rule 14a-6(e)(2))**  
 Definitive Proxy Statement  
 Definitive Additional Materials  
 Soliciting Material Pursuant to § 240.14a-12

**TONIX PHARMACEUTICALS HOLDING CORP.**

(Name of Registrant as Specified in its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required  
 Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
- (1) Title of each class of securities to which transaction applies:
- (2) Aggregate number of securities to which transaction applies:
- (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
- (4) Proposed maximum aggregate value of transaction:
- (5) Total fee paid:
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- Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.
- (1) Amount previously paid:
- (2) Form, Schedule or Registration Statement No.:
- (3) Filing Party:
- (4) Date Filed:
-

**TONIX PHARMACEUTICALS HOLDING CORP.**  
**509 Madison Avenue, Suite 306**  
**New York, New York 10022**  
**Telephone: (212) 980-9155**

May 2, 2014

Dear Shareholders:

You are cordially invited to attend the 2014 Annual Meeting of Shareholders of Tonix Pharmaceuticals Holding Corp. (the "Company"). The meeting will be held at 10:00 a.m., local time, on June 9, 2014, at the offices of Sichenzia Ross Friedman Ference LLP at 61 Broadway, 32<sup>nd</sup> Floor, New York, New York 10006. Enclosed are the official notice of this meeting, a proxy statement, a form of proxy and the Annual Report on Form 10-K for the year ended December 31, 2013.

At this meeting you will be asked to consider the following proposals:

1. To elect the eight director nominees named in the Proxy Statement to hold office until the next annual meeting of shareholders;
2. To ratify the appointment of EisnerAmper LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2014;
3. To approve the Tonix Pharmaceuticals Holding Corp. 2014 Stock Incentive Plan;
4. To approve the Tonix Pharmaceuticals Holding Corp. 2014 Employee Stock Purchase Plan; and
5. To act on such other matters as may properly come before the meeting or any adjournment there.

Please note that attendance at the Annual Meeting will be limited to shareholders of record at the close of business on May 1, 2014, and to guests of the Company.

If your shares are registered in your name and you plan to attend the Annual Meeting, please bring the enclosed ballot with you to the meeting.

If your shares are held by a broker, bank or other nominee and you plan to attend the meeting, please contact the person responsible for your account regarding your intention to attend the meeting so they will know how you intend to vote your shares at that time. Shareholders who do not expect to attend the 2014 Annual Meeting in person may submit their ballot to the Management of the Company at 509 Madison Avenue, Suite 306, New York, New York 10022.

BY ORDER OF THE BOARD OF DIRECTORS

*/s/ Seth Lederman*

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Seth Lederman  
Chief Executive Officer and Chairman of the Board of Directors

**TONIX PHARMACEUTICALS HOLDING CORP.**

**509 Madison Avenue, Suite 306**

**New York, New York 10022**

**Telephone: (212) 980-9155**

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS**

The Annual Meeting of the shareholders of Tonix Pharmaceuticals Holding Corp. (the "Company") will be held on Monday, June 9, 2014, at 10:00 a.m. local time at the offices of Sichenzia Ross Friedman Ference LLP at 61 Broadway, 32<sup>nd</sup> Floor, New York, New York 10006 for the purposes of:

1. To elect the eight director nominees named in the Proxy Statement to hold office until the next annual meeting of shareholders;
2. To ratify the appointment of EisnerAmper LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2014;
3. To approve the Tonix Pharmaceuticals Holding Corp. 2014 Stock Incentive Plan;
4. To approve the Tonix Pharmaceuticals Holding Corp. 2014 Employee Stock Purchase Plan; and
5. To act on such other matters as may properly come before the meeting or any adjournment there.

Only shareholders of record at the close of business on May 1, 2014, will be entitled to attend and vote at the meeting. A list of all shareholders entitled to vote at the Annual Meeting, arranged in alphabetical order and showing the address of and number of shares held by each shareholder, will be available at the principal office of the Company during usual business hours, for examination by any shareholder for any purpose germane to the Annual Meeting for 10 days prior to the date thereof. The proxy materials will be furnished to shareholders on or about May 8, 2014.

**Important Notice Regarding the Availability of Proxy Materials for the 2014 Annual Meeting of Shareholders to be held on June 9, 2014:**

**The Proxy Statement and Annual Report on Form 10-K for the year ended December 31, 2013 are available at:**

*<http://viewproxy.com/tonixpharma/2014/>*

BY ORDER OF THE BOARD OF DIRECTORS

*/s/ Seth Lederman*

Seth Lederman

Chief Executive Officer and Chairman of the Board of Directors

May 2, 2014

**You are cordially invited to attend the meeting in person. Whether or not you expect to attend the meeting, please complete, date, sign and return the enclosed proxy as instructed in these materials, as promptly as possible in order to ensure your representation at the meeting. A return envelope (which is postage prepaid if mailed in the United States) is enclosed for your convenience. Even if you have voted by proxy, you may still vote in person if you attend the meeting. Please note, however, that if your shares are held of record by a broker, bank or other nominee and you wish to vote at the meeting, you must obtain a proxy issued in your name from that record holder.**

**TONIX PHARMACEUTICALS HOLDING CORP.**  
**509 Madison Avenue, Suite 306**  
**New York, New York 10022**  
**Telephone: (212) 980-9155**

**PROXY STATEMENT**

**ANNUAL MEETING OF SHAREHOLDERS  
TO BE HELD ON MONDAY, JUNE 9, 2014**

**SOLICITATION OF PROXIES**

The enclosed proxy is solicited by the Board of Directors of Tonix Pharmaceuticals Holding Corp. (the "Company"), for use at the Annual Meeting of the Company's shareholders to be held at the offices of Sichenzia Ross Friedman Ference LLP at 61 Broadway, 32<sup>nd</sup> Floor, New York, New York 10006 on June 9, 2014, at 10:00 a.m. local time and at any adjournments thereof. Whether or not you expect to attend the meeting in person, please vote your shares as promptly as possible to ensure that your vote is counted. The proxy materials will be furnished to shareholders on or about May 8, 2014.

**REVOCABILITY OF PROXY AND SOLICITATION**

Any shareholder executing a proxy that is solicited hereby has the power to revoke it prior to the voting of the proxy. Revocation may be made by attending the Annual Meeting and voting the shares of stock in person, or by delivering to the Secretary of the Company at the principal office of the Company prior to the Annual Meeting a written notice of revocation or a later-dated, properly executed proxy. Solicitation of proxies may be made by directors, officers and other employees of the Company by personal interview, telephone, facsimile transmittal or electronic communications. No additional compensation will be paid for any such services. This solicitation of proxies is being made by the Company which will bear all costs associated with the mailing of this proxy statement and the solicitation of proxies.

**RECORD DATE**

Shareholders of record at the close of business on May 1, 2014, will be entitled to receive notice of, attend and vote at the meeting.

**ACTION TO BE TAKEN UNDER PROXY**

Unless otherwise directed by the giver of the proxy, the persons named in the form of proxy, namely, Seth Lederman, our Chief Executive Officer, and Leland Gershell, our Chief Financial Officer, or either one of them who acts, will vote:

- FOR the election of the eight director nominees named in the Proxy Statement to hold office until the next annual meeting of shareholders;
- FOR ratification of the appointment of EisnerAmper LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2014;
- FOR approval of the Tonix Pharmaceuticals Holding Corp. 2014 Stock Incentive Plan;
- FOR approval of the Tonix Pharmaceuticals Holding Corp. 2014 Employee Stock Purchase Plan; and
- According to their discretion, on the transaction of such other matters as may properly come before the meeting or any adjournment there.

Should any nominee named herein for election as a director become unavailable for any reason, it is intended that the persons named in the proxy will vote for the election of such other person in his stead as may be designated by the Board of Directors. The Board of Directors is not aware of any reason that might cause any nominee to be unavailable.

**WHO IS ENTITLED TO VOTE; VOTE REQUIRED; QUORUM**

As of May 1, 2014, there were 9,929,206 shares of common stock issued and outstanding, which constitutes all of the outstanding capital stock of the Company. Shareholders are entitled to one vote for each share of common stock held by them.

Thirty-three and one-third percent (33.33%) of the outstanding shares, or 3,309,736 shares, present in person or represented by proxy, will constitute a quorum at the meeting. For purposes of the quorum and the discussion below regarding the vote necessary to take shareholder action, shareholders of record who are present at the Annual Meeting in person or by proxy and who abstain, including brokers holding customers' shares of record who cause abstentions to be recorded at the meeting, are considered shareholders who are present and entitled to vote and are counted towards the quorum.

Brokers holding shares of record for customers generally are not entitled to vote on “non-routine” matters, unless they receive voting instructions from their customers. As used herein, “uninstructed shares” means shares held by a broker who has not received such instructions from its customers on a proposal. A “broker non-vote” occurs when a nominee holding uninstructed shares for a beneficial owner does not vote on a particular proposal because the nominee does not have discretionary voting power with respect to that non-routine matter. In connection with the treatment of abstentions and broker non-votes, the proposals at this meeting to (i) elect directors, (ii) approve the 2014 Stock Incentive Plan, and (iii) approve the 2014 Employee Stock Purchase Plan are considered “non-routine” matters, and brokers are not entitled to vote uninstructed shares with respect to these proposals. Only the proposal to ratify the appointment of EisnerAmper LLP as the Company’s independent registered public accounting firm is a routine matter that brokers are entitled to vote shares without receiving instructions.

Determination of whether a matter specified in the Notice of Annual Meeting of Shareholders has been approved will be determined as follows:

- Those persons will be elected directors who receive a plurality of the votes cast at the Meeting in person or by proxy and entitled to vote on the election. Accordingly, abstentions or directions to withhold authority will have no effect on the outcome of the vote; and
- For each other matter specified in the Notice of Annual Meeting of Shareholders, the affirmative vote of a majority of the shares of common stock present at the meeting in person or by proxy and entitled to vote on such matter is required for approval. Abstentions will be considered shares present in person or by proxy and entitled to vote and, therefore, will have the effect of a vote against the matter. Broker non-votes will be considered shares not present for this purpose and will have no effect on the outcome of the vote.

Directions to withhold authority to vote for directors, abstentions and broker non-votes will be counted for purposes of determining whether a quorum is present for the Meeting.

## QUESTIONS AND ANSWERS ABOUT THESE PROXY MATERIALS AND VOTING

### Why am I receiving these materials?

We have sent you these proxy materials because the Board of Directors of **Tonix Pharmaceuticals Holding Corp.** (sometimes referred to as the “**Company**,” “**Tonix**,” “**we**” or “**us**”) is soliciting your proxy to vote at the 2014 Annual Meeting of Shareholders. According to our records, you were a shareholder of the Company as of the end of business on May 1, 2014.

You are invited to attend the Annual Meeting to vote on the proposals described in this proxy statement. However, you do not need to attend the meeting to vote your shares. Instead, you may simply complete, sign and return the enclosed proxy card.

The Company intends to mail these proxy materials on or about **May 8, 2014** to all shareholders of record on **May 1, 2014** (the “**Record Date**”) entitled to vote at the Annual Meeting.

### What is included in these materials?

These materials include:

- this proxy statement for the Annual Meeting; and
- the Company’s annual report on Form 10-K for the fiscal year ended December 31, 2013, as filed with the SEC on March 28, 2014.

### What is the proxy card?

The proxy card enables you to appoint Seth Lederman, our Chief Executive Officer, and Leland Gershell, our Chief Financial Officer, as your representative at the Annual Meeting. By completing and returning a proxy card, you are authorizing these individuals to vote your shares at the Annual Meeting in accordance with your instructions on the proxy card. This way, your shares will be voted whether or not you attend the Annual Meeting.

### When and where is the 2014 Annual Meeting being held?

The 2014 Annual Meeting will be held on Monday, June 9, 2014 commencing at 10:00 A.M., local time, at the offices of Sichenzia Ross Friedman Ference LLP at 61 Broadway, 32<sup>nd</sup> Floor, New York, New York 10006.

## Can I view these proxy materials over the Internet?

Yes. The Notice of Meeting, this Proxy Statement and accompanying proxy card and our Annual Report on Form 10-K for the year ended December 31, 2013 are available at <http://viewproxy.com/tonixpharma/2014/>.

## Who can vote at the Annual Meeting?

Only shareholders of record at the close of business on May 1, 2014 will be entitled to vote at the Annual Meeting. On this record date, there were 9,929,206 shares of common stock outstanding and entitled to vote.

The 2014 Annual Meeting will begin promptly at 10:00 A.M., local time. Check-in will begin one-half hour prior to the meeting. Please allow ample time for the check-in procedures.

### *Shareholder of Record: Shares Registered in Your Name*

If on May 1, 2014 your shares were registered directly in your name with Tonix's transfer agent, VStock Transfer, LLC, then you are a shareholder of record. As a shareholder of record, you may vote in person at the meeting or vote by proxy. Whether or not you plan to attend the meeting, we urge you to fill out and return the enclosed proxy.

### *Beneficial Owner: Shares Registered in the Name of a Broker or Bank*

If on May 1, 2014, your shares were held in an account at a brokerage firm, bank, dealer, or other similar organization, rather than in your name, then you are the beneficial owner of shares held in "street name" and these proxy materials are being forwarded to you by that organization. The organization holding your account is considered to be the shareholder of record for purposes of voting at the Annual Meeting. As a beneficial owner, you have the right to direct your broker or other agent regarding how to vote the shares in your account. You are also invited to attend the 2014 Annual Meeting. However, since you are not the shareholder of record, you may not vote your shares in person at the meeting unless you request and obtain a valid proxy from your broker or other agent.

## What am I voting on?

The following matters are scheduled for a vote:

1. To elect the eight director nominees named in the Proxy Statement to hold office until the next annual meeting of shareholders;
2. To ratify the appointment of EisnerAmper LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2014;
3. To approve the Tonix Pharmaceuticals Holding Corp. 2014 Stock Incentive Plan;
4. To approve the Tonix Pharmaceuticals Holding Corp. 2014 Employee Stock Purchase Plan; and
5. To act on such other matters as may properly come before the meeting or any adjournment there.

The Board of Directors is not currently aware of any other business that will be brought before the 2014 Annual Meeting.

## How do I vote?

You may vote "**For**" all the nominees to the Board of Directors, you may "**Withhold**" your vote for all nominees or you may vote "**For**" all nominees except for any nominee(s) you specify. For the other matters to be voted on, you may vote "**For**" or "**Against**" or abstain from voting. The procedures for voting are fairly simple:

### *Shareholder of Record: Shares Registered in Your Name*

If you are a shareholder of record as of the Record Date, you may vote in person at the 2014 Annual Meeting or vote by proxy using the enclosed proxy card. Whether or not you plan to attend the meeting, we urge you to vote by proxy to ensure your vote is counted. You may still attend the meeting and vote in person even if you have already voted by proxy.

- To vote in person, come to the Annual Meeting and we will give you a ballot when you arrive. You should be prepared to present photo identification for admittance. A list of shareholders eligible to vote at the Annual Meeting will be available for inspection at the 2014 Annual Meeting and for a period of ten days prior to the Annual Meeting during regular business hours at our principal executive offices, which are located at 509 Madison Avenue, Suite 306, New York, New York 10022.

- To vote using the proxy card, simply complete, sign and date the enclosed proxy card and return it promptly in the envelope provided. If you return your completed and signed proxy card to us before the Annual Meeting, we will vote your shares as you direct.

#### *Beneficial Owner: Shares Registered in the Name of Broker or Bank*

If you are a beneficial owner of shares registered in the name of your broker, bank, or other agent, you should have received voting instructions with these proxy materials from that organization rather than from us. Simply complete and mail your voting instructions as directed by your broker or bank to ensure that your vote is counted. Alternatively, you may be able to vote by telephone or over the Internet by following instructions provided by your broker or bank. To vote in person at the Annual Meeting, you must obtain a valid proxy from your broker, bank, or other agent. Follow the instructions from your broker or bank included with these proxy materials, or contact your broker or bank to request a proxy form.

#### **How many votes do I have?**

On each matter to be voted upon, you have one vote for each share of common stock you own as of the Record Date.

#### **What is a quorum for purposes of conducting the 2014 Annual Meeting?**

The presence, in person or by proxy, of the holders of thirty-three and one-third percent (33.33%) of the issued and outstanding common stock, or 3,309,736 shares, entitled to vote at the meeting is necessary to constitute a quorum to transact business. If a quorum is not present or represented at the Annual Meeting, the shareholders entitled to vote thereat, present in person or by proxy, may adjourn the Annual Meeting from time to time without notice or other announcement until a quorum is present or represented.

#### **What if I return a proxy card but do not make specific choices?**

If you return a signed and dated proxy card without marking any voting selections, your shares will be voted “**FOR**” the election of each of the eight (8) nominees for director, “**FOR**” the ratification of EisnerAmper LLP as independent registered public accountants of the Company for its fiscal year ending December 31, 2014, “**FOR**” approval of the Tonix Pharmaceuticals Holding Corp. 2014 Stock Incentive Plan, “**FOR**” approval of the Tonix Pharmaceuticals Holding Corp. 2014 Employee Stock Purchase Plan, and “**FOR**” approval of any adjournment of the 2014 Annual Meeting, if necessary or appropriate, to transact such other business as may properly come before the meeting and all adjournments and postponements thereof; and if any other matter is properly presented at the meeting, your proxy holder (one of the individuals named on your proxy card) will vote your shares using his best judgment.

#### **How does the Board of Directors recommend that I vote?**

Our Board of Directors recommends that you vote your shares “**FOR**” the election of each of the eight (8) nominees for director, “**FOR**” the ratification of EisnerAmper LLP as independent registered public accountants of the Company for its fiscal year ending December 31, 2014, “**FOR**” approval of the Tonix Pharmaceuticals Holding Corp. 2014 Stock Incentive Plan, and “**FOR**” approval of the Tonix Pharmaceuticals Holding Corp. 2014 Employee Stock Purchase Plan. Unless you provide other instructions on your proxy card, the persons named as proxy holders on the proxy card will vote in accordance with the recommendations of the Company's Board of Directors as set forth in this Proxy Statement.

#### **Who is paying for this proxy solicitation?**

We will pay for the entire cost of soliciting proxies. In addition to these mailed proxy materials, our directors and employees may also solicit proxies in person, by telephone or by other means of communication. Directors and employees will not be paid any additional compensation for soliciting proxies but may be reimbursed for out-of-pocket expenses incurred in connection with the solicitation. We will also reimburse brokerage firms, banks and other agents for their reasonable out-of-pocket expenses incurred in forwarding proxy materials to beneficial owners.

#### **What does it mean if I receive more than one set of proxy materials?**

If you receive more than one set of proxy materials, your shares may be registered in more than one name or in different accounts. Please complete, sign and return **each** proxy card to ensure that all of your shares are voted.

**I share the same address with another Tonix Pharmaceuticals Holding Corp. shareholder. Why has our household only received one set of proxy materials?**

The SEC's rules permit us to deliver a single set of proxy materials to one address shared by two or more of our shareholders. This practice, known as "householding," is intended to reduce the Company's printing and postage costs. We have delivered only one set of proxy materials to shareholders who hold their shares through a bank, broker or other holder of record and share a single address, unless we received contrary instructions from any shareholder at that address. However, any such street name holder residing at the same address who wishes to receive a separate copy of the proxy materials may make such a request by contacting the bank, broker or other holder of record, or Broadridge Financial Solutions, Inc. at (800) 542-1061 or in writing at Broadridge, Householding Department, 51 Mercedes Way, Edgewood, NY 11717. Street name holders residing at the same address who would like to request householding of Company materials may do so by contacting the bank, broker or other holder of record or Broadridge at the phone number or address listed above.

**Can I change my vote after submitting my proxy?**

Yes. You can revoke your proxy at any time before the final vote at the meeting. If you are the record holder of your shares, you may revoke your proxy in any one of three ways:

- You may submit another properly completed proxy card with a later date;
- You may send a timely written notice that you are revoking your proxy to the Company at 509 Madison Avenue, Suite 306, New York, New York 10022, Attn: Chief Financial Officer; or
- You may attend the Annual Meeting and vote in person. Simply attending the meeting will not, by itself, revoke your proxy.

If your shares are held by your broker or bank as a nominee or agent, you should follow the instructions provided by your broker or bank.

**What are "broker non-votes"?**

Broker non-votes occur when a beneficial owner of shares held in "street name" does not give instructions to the broker or nominee holding the shares as to how to vote on matters deemed "non-routine." Generally, if shares are held in street name, the beneficial owner of the shares is entitled to give voting instructions to the broker or nominee holding the shares. If the beneficial owner does not provide voting instructions, the broker or nominee can still vote the shares with respect to matters that are considered to be "routine," but not with respect to "non-routine" matters. Under the rules and interpretations of the New York Stock Exchange, "non-routine" matters include director elections (whether contested or uncontested) and matters involving a contest or a matter that may substantially affect the rights or privileges of shareholders.

In connection with the treatment of abstentions and broker non-votes, the proposals at this meeting to (i) elect directors, (ii) approve the 2014 Stock Incentive Plan, and (iii) approve the 2014 Employee Stock Purchase Plan are considered "non-routine" matters, and brokers are not entitled to vote uninstructed shares with respect to these proposals. Only the proposal to ratify the appointment of EisnerAmper LLP as the Company's independent registered public accounting firm is a routine matter that brokers are entitled to vote shares without receiving instructions.

Our election of directors (Proposal No. 1), approval of the 2014 Stock Incentive Plan (Proposal No. 3), and approval of the 2014 Employee Stock Purchase Plan (Proposal No. 3) are considered to be "non-routine" matters and as a result, brokers or nominees cannot vote your shares on these proposals in the absence of your direction.

**How are votes counted?**

Votes will be counted by the inspector of elections appointed for the meeting, who will separately count "For," "Withhold" and "Against" votes, abstentions and broker non-votes. Abstentions will not have an effect on, or be counted towards the vote totals for, each of the other proposals. The proposals to (i) elect directors, (ii) approve the 2014 Stock Incentive Plan, and (iii) approve the 2014 Employee Stock Purchase Plan are non-routine proposals on which the Company expects that brokers or other nominees will not be entitled to vote without receiving instructions from the record holder of the applicable shares of common stock. Accordingly, broker non-votes will result from this proposal, however, these will have no effect on or be counted towards the vote totals for any other proposals.

**How many votes are needed to approve each proposal?**

For the election of directors, each of the eight (8) nominees receiving "For" votes at the meeting in person or by proxy will be elected. Approval of all other matters requires the favorable vote of a majority of the votes cast on the applicable matter at the Annual Meeting in person or by proxy.

**Is my vote kept confidential?**

Proxy instructions, ballots and voting tabulations that identify individual shareholders are handled in a manner that protects your voting privacy. Your vote will not be disclosed either within the Company or to third parties, except:



- as necessary to meet applicable legal requirements;

- to allow for the tabulation and certification of votes; and
- to facilitate a successful proxy solicitation.

Occasionally, shareholders provide written comments on their proxy cards, which may be forwarded to the Company's management and the Board.

**How can I find out the results of the voting at the Annual Meeting?**

Preliminary voting results will be announced at the Annual Meeting. Final voting results will be discussed in a Form 8-K filed after the Annual Meeting.

**Who can help answer my questions?**

You can contact our corporate headquarters, at Tonix Pharmaceuticals Holding Corp., 509 Madison Avenue, Suite 306, New York, New York 10022, or by sending a letter to Leland Gershell, our Chief Financial Officer, with any questions about the proposal described in this proxy statement or how to execute your vote.

## PROPOSAL NO. 1

### ELECTION OF DIRECTORS

#### Information about the Nominees

At the Annual Meeting, the shareholders will elect eight directors to serve until the next annual meeting of Shareholders or until their respective successors are elected and qualified. In the event any nominee is unable or unwilling to serve as a director at the time of the Annual Meeting, the proxies may be voted for the balance of those nominees named and for any substitute nominee designated by the present Board or the proxy holders to fill such vacancy, or for the balance of the nominees named without nomination of a substitute, or the size of the Board may be reduced in accordance with the Bylaws of the Company. The Board has no reason to believe that any of the persons named below will be unable or unwilling to serve as a nominee or as a director if elected.

Assuming a quorum is present, the eight nominees receiving the highest number of affirmative votes of shares entitled to be voted for them will be elected as directors of the Company for the ensuing year. Unless marked otherwise, proxies received will be voted "FOR" the election of each of the eight nominees named below. In the event that additional persons are nominated for election as directors, the proxy holders intend to vote all proxies received by them in such a manner as will ensure the election of as many of the nominees listed below as possible, and, in such event, the specific nominees to be voted for will be determined by the proxy holders. All of the director nominees currently serve as directors.

<u>NAME</u>	<u>AGE</u>	<u>CURRENT POSITION</u>
Seth Lederman	56	President, CEO and Chairman of the Board of Directors
Stuart Davidson	56	Director
Patrick Grace	57	Director
Donald W. Landry	59	Director
Ernest Mario	75	Director
Charles E. Mather IV	53	Director
John Rhodes	57	Lead Director
Samuel Saks	59	Director

The following information with respect to the principal occupation or employment of each nominee for director, the principal business of the corporation or other organization in which such occupation or employment is carried on, and such nominee's business experience during the past five years, as well as the specific experiences, qualifications, attributes and skills that have led the Board to determine that such Board members should serve on the Board of Directors, has been furnished to the Company by the respective director nominees:

**Seth Lederman, MD** became our President, Chief Executive Officer, Chairman of the Board and a Director in October 2011. Dr. Lederman founded Tonix Sub in June of 2007 and has acted as its Chairman of the Board of Directors since inception and as President since June 2010. Dr. Lederman has been the Chairman of Krele since its inception in August 2010. Dr. Lederman has also been the President and a director of Tonix Pharmaceuticals (Canada), Inc. since its inception in April 2013. Since 1996, Dr. Lederman has been an Associate Professor at Columbia University. As an Assistant Professor at Columbia, Dr. Lederman discovered and characterized the CD40-ligand and invented therapeutic candidates to treat autoimmune diseases and transplant rejection. Dr. Lederman has been a Manager of L&L since 1996. In addition, Dr. Lederman has been the Managing Member of Seth Lederman Co, LLC since January 2007 and the Managing Member of Lederman & Co since 2002, both of which are biopharmaceutical consulting and investing companies. Dr. Lederman has also been the Managing Member of Targent since 2000, and Managing Member of Plumblin since 2002. Targent was a founder of Targent Pharmaceuticals Inc. on which Board of Directors Dr. Lederman served from inception in 2001 until the sale of its assets to Spectrum Pharmaceuticals Inc. in 2006. Between January 2007 and November 2008, Dr. Lederman was a Managing Partner of Konanda Pharma Partners, LLC, a Director of Konanda Pharma Fund I, LP, and a Managing Partner of Konanda General Partner, LLC, which were related private growth equity fund entities. As well, between January 2007 and November 2008, Dr. Lederman was Chairman of Validus Pharmaceuticals, Inc. and Fontus Pharmaceuticals, Inc., which were portfolio companies of the Konanda private growth equity fund. Since December 2011, Dr. Lederman has served as CEO and Chairman of Leder Laboratories Inc. and Starling Pharmaceuticals Inc, which are biopharmaceutical development companies. Since March 2013, Dr. Lederman has been the chairman of Leder Laboratories, Ltd., a wholly-owned subsidiary of Leder Laboratories Inc. Between 2006 and 2011, Dr. Lederman was a director of Research Corporation, a New York-based non-profit organization. Dr. Lederman received his BA degree in Chemistry from Princeton University in 1979 and his MD from Columbia University in 1983. Dr. Lederman has been a New York State licensed physician since 1985. Dr. Lederman's significant experience with our patent portfolio and his experience as an entrepreneur, seed capital investor, fund manager, and director of start-up biopharmaceutical companies were instrumental in his selection as a member of the board of directors.

**Stuart Davidson** became a Director in October 2011. Between July 2010 and October 2011, Mr. Davidson served as a director of Tonix Sub. Since 2011, Mr. Davidson has been a Managing Director of Sonen Capital. Since 1994, Mr. Davidson has been a Managing Partner of Labrador Ventures. Prior to Labrador, Mr. Davidson founded and served as CEO of Combion, Inc., which was acquired by Incyte. He also served as President of Alkermes, Inc., a biotechnology company focused on drug delivery. Mr. Davidson received his Bachelor's Degree from Harvard College in 1978 and his MBA from Harvard Business School in 1984. Mr. Davidson's prior experience as a venture capital investor, entrepreneur, and biotechnology industry executive experience leading pharmaceutical companies was instrumental in his selection as a member of our board of directors.



**Patrick Grace** became a Director in October 2011. Between June 2007 and October 2011, Mr. Grace served as a director of Tonix Sub. Mr. Grace was the co-founder of and served as the Managing Partner of Apollo Philanthropy Partners, L.L.C. from October 2008 until October 2012. He has also been President of MLP Capital, Inc., New York, New York, an investment holding company, since 1996. Mr. Grace served in various senior management roles with W. R. Grace & Co. from 1977 – 1995, and was last President and CEO of Grace Logistics Services, Inc. From January 2002 to August 2002, Mr. Grace was also President and Chief Executive Officer of Kingdom Group, LLC (“Kingdom”), New York, New York (a provider of turnkey compressed natural gas fueling systems), and he was Executive Vice President of Kingdom from August 1999 to December 2000. Since 1996, he has been a director of Chemed Corporation. Mr. Grace was a liberal arts major at the University of Notre Dame and earned a MBA in finance from Columbia University. Mr. Grace’s extensive executive experience, along with his membership on the board of directors of a public company was instrumental in his selection as a member of our board of directors.

**Donald W. Landry, MD, PhD** became a Director in October 2011. Between June 2007 and October 2011, Dr. Landry served as a director of Tonix Sub. Dr. Landry has been a member of the faculty of Columbia University since 1986, and has served as the Samuel Bard Professor of Medicine, Chair of the Department of Medicine and Physician-in-Chief at New York Presbyterian Hospital/Columbia University since 2008. Dr. Landry was a co-founder and has been a member of L&L since 1996. Dr. Landry received his BS degree in Chemistry from Lafayette College in 1975, his PhD in Organic Chemistry from Harvard University in 1979 and his M.D. from Columbia University in 1983. Dr. Landry has been a New York State licensed physician since 1985. In 2008, Dr. Landry was awarded the Presidential Citizens Medal, the second-highest award that the President can confer upon a civilian. Dr. Landry’s significant medical and scientific background was instrumental in his selection as a member of the board of directors.

**Ernest Mario, PhD** became a Director in October 2011. Between September 2010 and October 2011, Dr. Mario served as a director of Tonix Sub. Dr. Mario is a former Deputy Chairman and Chief Executive of Glaxo Holdings plc and a former Chairman and Chief Executive Officer of ALZA Corporation. Since April 2014, Dr. Mario has served as Chairman of Capnia, Inc., a privately held specialty pharmaceutical company in Palo Alto, CA. Between August 2007 and February 2014, Dr. Mario served as the Chief Executive Officer and Chairman of Capnia, Inc. and between February 2014 and April 2014, Dr. Mario served as Executive Chairman. From 2003 to 2007, he was Chairman and Chief Executive of Reliant Pharmaceuticals, Inc. Dr. Mario is currently a Director of Boston Scientific Corp. (since 2001), Celgene Corp. (since 2007), Chimerix, Inc. (since February 2013), Kindred Biosciences, Inc. (since February 2013) and XenoPort Inc. (since 2012). Dr. Mario is also Chairman of Chimerix. He is Chairman of the American Foundation for Pharmaceutical Education and serves as an advisor to The Ernest Mario School of Pharmacy at Rutgers University. In 2007, Dr. Mario was awarded the Remington Medal by the American Pharmacists’ Association, pharmacy’s highest honor. Dr. Mario received a PhD and an MS in physical sciences from the University of Rhode Island and a BS in pharmacy from Rutgers University. Dr. Mario brings to his service as a director his significant executive leadership experience, including his experience leading several pharmaceutical companies, as well as his membership on public company boards and foundations. He also has extensive experience in financial and operations management, risk oversight, and quality and business strategy.

**Charles E. Mather IV** became a Director in October 2011. Between April and October 2011, Mr. Mather served as a director of Tonix Sub. Mr. Mather has been the Head of Private and Alternative Capital and Co-Head of ECM at Janney Montgomery Scott since December 2009. Between October 2008 and December 2009, Mr. Mather served as an independent consultant to various securities firms. Between May 2007 and September 2008, Mr. Mather was the head of the Structured Equity Group at Jefferies Group Inc. Prior to that, Mr. Mather held various senior investment banking positions at Cowen and Company, including as Co-Head of the Private Equity Group. Mr. Mather received a BA in History from Brown University and an MBA in Finance from The Wharton School, University of Pennsylvania. Mr. Mather’s extensive experience as an investment banker was instrumental in his selection as a member of our board of directors.

**John Rhodes** became a Director in October 2011 and Lead Director in February 2014. Mr. Rhodes has served as President and CEO of the New York State Energy Research and Development Authority since September 2103. Between October 2010 and October 2011, Mr. Rhodes served as a director of Tonix Sub. Mr. Rhodes has been a director of Dewey Electronics Company, a manufacturer of electronic and electromechanical systems for the military and commercial markets, since 2005, until 2013. Between January 2013 and September 2103, he served as director of the Center for Market Innovation at Natural Resources Defense Council. Between April 2007 and June 2010, Mr. Rhodes was a Senior Advisor to Good Energies, Inc., a renewable energy company. Mr. Rhodes is a former Vice President of Booz Allen Hamilton, Inc. Mr. Rhodes is a graduate of Princeton University and the Yale School of Management. Mr. Rhodes’ extensive business and consulting experience, along with his membership on the board of directors of a public company was instrumental in his selection as a member of our board of directors.

**Samuel Saks, MD** became a Director in May 2012. Between 2003 and April 2009, Dr. Saks was the chief executive officer and a director of Jazz Pharmaceuticals, Inc., a publicly-held biopharmaceutical company, which he co-founded in 2003. From April 2011 until February 2012, Dr. Saks served as interim Chief Medical Officer of Threshold Pharmaceuticals, a publicly-held biopharmaceutical company. From 2001 until 2003, Dr. Saks was company group chairman of ALZA Corporation and a member of the Johnson & Johnson Pharmaceuticals Operating Committee. From 1992 until 2001, Dr. Saks held various positions at ALZA, including Chief Medical Officer and Group Vice President, where he was responsible for clinical, regulatory and commercial activities. Previously, Dr. Saks held clinical research and development management positions with Schering-Plough, Xoma and Genentech. Dr. Saks formerly served as a scientific advisor to ArQule Pharmaceuticals, CMEA Ventures and ProQuest Investments. Dr. Saks is currently a Director of Auspex Pharmaceuticals, Inc. (since 2009), Depomed (since 2012), Bullet Biotechnology, Inc. (since 2012), Velocity Pharmaceutical Development LLC (since 2011) and NuMedii (since 2013). From September 2005 until October 2010, Dr. Saks served on the board of directors of Trubion Pharmaceuticals, a publicly-held biopharmaceutical company. Between September 2007 and July 2009, Dr. Saks served on the board of directors of Cougar Biotechnology, a publicly-held biopharmaceutical company. Dr. Saks has also served on the board of directors of Corixa, Coulter and Ribozyme. Dr. Saks is board certified in oncology and received a B.S. and an M.D. from the University of Illinois. Mr. Saks’ extensive scientific and medical expertise and experience in formulating partnering and business development strategies, including those involving larger pharmaceutical companies, was instrumental in his selection as a member of our board of directors.



Directors serve until the next annual meeting of shareholders or until their successors are elected and qualified. Officers serve at the discretion of the Board of Directors.

### Information About The Board Of Directors

The Board of Directors oversees our business and affairs and monitors the performance of management. In accordance with corporate governance principles, the Board does not involve itself in day-to-day operations. The directors keep themselves informed through discussions with the Chief Executive Officer, other key executives and by reading the reports and other materials that we send them and by participating in Board and committee meetings. Our directors hold office until their successors have been elected and duly qualified unless the director resigns or by reasons of death or other cause is unable to serve in the capacity of director.

#### *How often did the Board and the Board committees meet during fiscal 2013?*

During fiscal 2013, the Board of Directors held four meetings, the Audit Committee held four meetings and the Compensation Committee held two meetings. The Board and Board committees also approved certain actions by unanimous written consent.

#### *What committees has the Board established?*

The Board of Directors has standing Audit, Compensation, and Governance and Nominating Committees. Information concerning the membership and function of each committee is as follows:

Name	Board Committee Membership		
	Audit Committee	Compensation Committee	Governance and Nominating Committee
Seth Lederman			
Stuart Davidson			**
Patrick Grace	**		
Donald W. Landry			*
Ernest Mario			*
Charles E. Mather IV	*		*
John Rhodes	*		**
Samuel Saks			*

\* Member of Committee  
 \*\* Chairman of Committee

#### *Audit Committee*

Our Audit Committee consists of Patrick Grace, Charles Mather and John Rhodes, with Mr. Grace elected as Chairman of the Committee. Our Board of Directors has determined that each of Messrs. Grace, Mather and Rhodes are “independent” as that term is defined under applicable SEC rules and under the current listing standards of the NASDAQ Stock Market. Mr. Grace is our audit committee financial expert.

Our Audit Committee’s responsibilities include: (i) reviewing the independence, qualifications, services, fees, and performance of the independent auditors, (ii) appointing, replacing and discharging the independent auditor, (iii) pre-approving the professional services provided by the independent auditor, (iv) reviewing the scope of the annual audit and reports and recommendations submitted by the independent auditor, and (v) reviewing our financial reporting and accounting policies, including any significant changes, with management and the independent auditor. The Audit Committee reviewed and discussed with management the Company’s audited financial statements for the year ended December 31, 2013.

### ***Compensation Committee***

Our Compensation Committee consists of Stuart Davidson, Ernest Mario and Samuel Saks, with Mr. Davidson elected as Chairman of the Committee. Our Board of Directors has determined that all of the members are “independent” under the current listing standards of the NASDAQ Stock Market. Our Board of Directors has adopted a written charter setting forth the authority and responsibilities of the Compensation Committee.

Our Compensation Committee has responsibility for assisting the Board of Directors in, among other things, evaluating and making recommendations regarding the compensation of our executive officers and directors, assuring that the executive officers are compensated effectively in a manner consistent with our stated compensation strategy, producing an annual report on executive compensation in accordance with the rules and regulations promulgated by the SEC, periodically evaluating the terms and administration of our incentive plans and benefit programs and monitoring of compliance with the legal prohibition on loans to our directors and executive officers.

### ***Governance and Nominating Committee***

Our Governance and Nominating Committee consists of Donald Landry, Charles Mather and John Rhodes, with Mr. Rhodes elected as Chairman of the Committee. The Board of Directors has determined that all of the members are “independent” under the current listing standards of the NASDAQ Stock Market.

Our Governance and Nominating Committee has responsibility for assisting the Board in, among other things, effecting the organization, membership and function of the Board and its committees. The Governance and Nominating Committee shall identify and evaluate the qualifications of all candidates for nomination for election as directors. In addition, the Governance and Nominating Committee is responsible for developing, recommending and evaluating corporate governance standards and a code of business conduct and ethics.

### **Nomination of Directors**

As provided in its charter and our company’s corporate governance principles, the Governance and Nominating Committee is responsible for identifying individuals qualified to become directors. The Governance and Nominating Committee seeks to identify director candidates based on input provided by a number of sources, including (1) the Governance and Nominating Committee members, (2) our other directors, (3) our shareholders, (4) our Chief Executive Officer or Chairman, and (5) third parties such as professional search firms. In evaluating potential candidates for director, the Nominating Committee considers the entirety of each candidate’s credentials.

Qualifications for consideration as a director nominee may vary according to the particular areas of expertise being sought as a complement to the existing composition of the Board of Directors. However, at a minimum, candidates for director must possess:

- high personal and professional ethics and integrity;
- the ability to exercise sound judgment;
- the ability to make independent analytical inquiries;
- a willingness and ability to devote adequate time and resources to diligently perform Board and committee duties; and
- the appropriate and relevant business experience and acumen.

In addition to these minimum qualifications, the Governance and Nominating Committee also takes into account when considering whether to nominate a potential director candidate the following factors:

- whether the person possesses specific industry expertise and familiarity with general issues affecting our business;
- whether the person’s nomination and election would enable the Board to have a member that qualifies as an “audit committee financial expert” as such term is defined by the SEC in Item 401 of Regulation S-K;
- whether the person would qualify as an “independent” director under the listing standards of the Nasdaq Stock Market;
- the importance of continuity of the existing composition of the Board of Directors to provide long term stability and experienced oversight; and



- the importance of diversified Board membership, in terms of both the individuals involved and their various experiences and areas of expertise.

The Governance and Nominating Committee will consider director candidates recommended by shareholders provided such recommendations are submitted in accordance with the procedures set forth below. In order to provide for an orderly and informed review and selection process for director candidates, the Board of Directors has determined that shareholders who wish to recommend director candidates for consideration by the Governance and Nominating Committee must comply with the following:

- The recommendation must be made in writing to the Corporate Secretary at Tonix Pharmaceuticals Holding Corp.;
- The recommendation must include the candidate's name, home and business contact information, detailed biographical data and qualifications, information regarding any relationships between the candidate and the Company within the last three years and evidence of the recommending person's ownership of the Company's common stock;
- The recommendation shall also contain a statement from the recommending shareholder in support of the candidate; professional references, particularly within the context of those relevant to board membership, including issues of character, judgment, diversity, age, independence, expertise, corporate experience, length of service, other commitments and the like; and personal references; and
- A statement from the shareholder nominee indicating that such nominee wants to serve on the Board and could be considered "independent" under the Rules and Regulations of the Nasdaq Stock Market and the SEC, as in effect at that time.

All candidates submitted by shareholders will be evaluated by the Governance and Nominating Committee according to the criteria discussed above and in the same manner as all other director candidates.

#### *How are directors compensated?*

Directors serve without fixed compensation or remuneration. Directors are entitled to receive discretionary cash retainers and stock options under our stock option plans as determined by the Board of Directors. We reimburse our directors for expenses incurred in connection with attending Board meetings.

#### *Code of Ethics*

We have adopted a Code of Ethics that applies to all of our directors, officers and employees, including our principal executive officer, principal financial officer and principal accounting officer.

#### *Section 16(A) Beneficial Ownership Reporting Compliance*

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires our directors, executive officers and holders of more than 10% of our common stock to file with the SEC reports regarding their ownership and changes in ownership of our securities. We believe that, during fiscal 2013, our directors, executive officers and 10% stockholders complied with all Section 16(a) filing requirements.

The proxy holders intend to vote the shares represented by proxies for all of the board's nominees, except to the extent authority to vote for the nominees is withheld.

### **RECOMMENDATION OF THE BOARD FOR PROPOSAL NO. 1:**

**THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" EACH OF ITS NOMINEES.**

## PROPOSAL NO. 2

### RATIFICATION OF APPOINTMENT OF OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Audit Committee has appointed the firm of EisnerAmper LLP as the independent registered public accounting firm of the Company for the year ending December 31, 2014, subject to ratification of the appointment by the Company's shareholders. A representative of EisnerAmper LLP is expected to attend the Annual Meeting to respond to appropriate questions and will have an opportunity to make a statement if he or she so desires.

#### Review of the Company's audited financial statements for the fiscal year ended December 31, 2013

The Audit Committee met and held discussions with management and the independent auditors. Management represented to the Audit Committee that the Company's consolidated financial statements were prepared in accordance with accounting principles generally accepted in the United States, and the Audit Committee reviewed and discussed the consolidated financial statements with management and the independent auditors. The Audit Committee also discussed with the independent auditors the matters required to be discussed by Statement on Auditing Standards No. 114 (Codification of Statements on Auditing Standards, AU 380), as amended.

In addition, the Audit Committee discussed with the independent auditors the auditors' independence from the Company and its management, and the independent auditors provided to the Audit Committee the written disclosures and letter required by the Independence Standards Board Standard No. 1 (Independence Discussions With Audit Committees).

The Audit Committee discussed with the Company's independent auditors the overall scope and plans for their respective audits. The Audit Committee met with the independent auditors, with and without management present, to discuss the results of their examinations and the overall quality of the Company's internal controls and financial reporting.

Based on the reviews and discussions referred to above, the Audit Committee approved the audited financial statements be included in the Company's Annual Report on Form 10-K for the year ended December 31, 2013, for filing with the SEC.

#### Audit Fees

The aggregate fees billed by our independent registered public accounting firm, for professional services rendered for the audit of our annual financial statements for the years ended December 31, 2013 and 2012, including review of our interim financial statements were \$118,000 and \$115,000, respectively.

#### Audit-Related Fees

We incurred fees to our independent registered public accounting firm of \$133,249 and \$32,730 for audit related fees during the fiscal years ended December 31, 2013 and 2012, respectively, which related to filings with the SEC.

#### Tax and Other Fees

We did not incur fees to our independent auditors for tax compliance services during the fiscal years ended December 31, 2013 and 2012.

Consistent with SEC policies and guidelines regarding audit independence, the Audit Committee is responsible for the pre-approval of all audit and permissible non-audit services provided by our principal accountants on a case-by-case basis. Our Audit Committee has established a policy regarding approval of all audit and permissible non-audit services provided by our principal accountants. Our Audit Committee pre-approves these services by category and service. Our Audit Committee has pre-approved all of the services provided by our principal accountants.

#### RECOMMENDATION OF THE BOARD FOR PROPOSAL NO. 2:

**THE BOARD RECOMMENDS A VOTE FOR THE ELECTION OF EISNERAMPER LLP AS THE COMPANY'S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR THE YEAR ENDED DECEMBER 31, 2014.**

## PROPOSAL NO. 3

### APPROVAL OF THE TONIX PHARMACEUTICALS HOLDING CORP. 2014 STOCK INCENTIVE PLAN

The Compensation Committee has recommended, and the Board of Directors (the “Board”) has unanimously approved, adoption of the Tonix Pharmaceuticals 2014 Stock Incentive Plan (the “2014 Plan”), which will become effective on June 9, 2014, if approved by stockholders at our annual meeting. Currently, we grant stock option awards exclusively under our 2012 Amended and Restated Incentive Stock Option Plan (the “2012 Plan”). The 2012 Plan authorized 550,000 shares of common stock issuable upon exercise of stock option awards granted thereunder. As of May 1, 2014, we have options issued and outstanding to purchase 550,000 shares of common stock. As a result, the 2014 Plan is proposed to both supplement the 2012 Plan as well as to provide greater flexibility in regard to the type of awards available for issuance. The Board believes that, in order to incentivize and retain our employees, directors and consultants, the 2014 Plan should be adopted. The discussion of the 2014 Plan that follows is qualified in its entirety by the description of and full terms of the 2014 Plan that are included as part of Annex A. Capitalized terms used in this summary have the meanings set forth in the 2014 Plan.

#### Summary of the 2014 Plan

*General.* The 2014 Plan would authorize the grant to eligible individuals of (1) Stock Options (Incentive and Nonstatutory), (2) Restricted Stock, (3) Stock Appreciation Rights, or SARs, (4) Restricted Stock Units, (5) Other Stock-Based Awards, and (6) Cash-Based Awards.

*Stock Subject to the 2014 Plan.* The number of shares of our common stock reserved for issuance under the 2014 Plan is 1,800,000, subject to shareholder approval, provided, however, that, of the aggregate number of Plan shares authorized in this Section, no more than 200,000 of such shares may be issued pursuant to stock-settled Awards other than Options (that is, Restricted Stock, Restricted Stock Units, SARs, Performance Awards, Other Stock-Based Awards and dividend equivalent Awards, in each case to the extent settled in shares of Common Stock). If any shares of common stock subject to an award are forfeited or cancelled, or if an award terminates or expires without a distribution of shares to the grantee, the shares of common stock with respect to such award shall, to the extent of any such forfeiture or cancellation, again be available for awards under the 2014 Plan; provided, however, that with respect to SARs that are settled in common stock, the aggregate number of shares of common stock subject to the SAR grant shall be counted against the shares available for issuance under the 2014 Plan as one share for every share subject thereto, regardless of the number of shares used to settle the SAR upon exercise. Also, shares of stock will not again be available if such shares are surrendered or withheld as payment of either the exercise price of an award and/or withholding taxes with respect to an award. Awards that are settled solely in cash will not reduce the number of shares of stock available for awards.

The Board has established a policy to make annual grants to executives, directors and key employees at the first regularly scheduled Board meeting of each year. As a result of the limited number of shares available under the 2012 Plan and the inability to issue securities other than stock options, the Board made grants under the 2012 Plan in February 2014 to the extent available, and anticipates making additional grants in June 2014 under the 2014 Plan, contingent on its approval by shareholders. In addition, the Company entered into employment agreements with three senior executives, which contained cash bonus provisions upon a sale of the Company, which will terminate upon the Company granting such executive long-term incentive compensation mutually agreeable. The Board anticipates making such grants in 2014 under the 2014 Plan, contingent on its approval by shareholders.

*Eligibility.* Employees of, and consultants to, our Company or its affiliates and members of our Board are eligible to receive equity awards under the Plan. Only our employees, and employees of our parent and subsidiary corporations, if any, are eligible to receive Incentive Stock Options. Employees, directors (including non-employee directors) and consultants of or for our Company and its affiliates are eligible to receive Nonstatutory Stock Options, Restricted Stock, Purchase Rights and any other form of award the Plan authorizes.

*Purpose.* The purpose of the Plan is to promote the interests of the Company and its stockholders by providing executive officers, employees, non-employee directors, and key advisors of the Company and its defined subsidiaries with appropriate incentives and rewards to encourage them to enter into and remain in their positions with the Company and to acquire a proprietary interest in the long-term success of the Company, as well as to reward the performance of these individuals in fulfilling their personal responsibilities for long-range and annual achievements.

*Administration.* Unless otherwise determined by the Board, the Compensation Committee (the “Committee”) administers the 2014 Plan. The Committee is composed solely of “non-employee directors” within the meaning of Rule 16b-3 under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), “outside directors” within the meaning of Section 162(m) of the Internal Revenue Code, and “independent directors” within the meaning of NASDAQ listing standards. The Committee has the power, in its discretion, to grant awards under the 2014 Plan, to select the individuals to whom awards are granted, to determine the terms of the grants, to interpret the provisions of the 2014 Plan and to otherwise administer the 2014 Plan. Except as prohibited by applicable law or stock exchange rules, the Committee may delegate all or any of its responsibilities and powers under the 2014 Plan to one or more of its members, including, without limitation, the power to designate participants and determine the amount, timing and term of awards under the 2014 Plan. In no event, however, shall the Committee have the power to accelerate the payment or vesting of any award, other than in the event of death, disability, retirement or a change in control of the Company.

The 2014 Plan provides that members of the Committee shall be indemnified and held harmless by the Company from any loss or expense resulting from claims and litigation arising from actions related to the 2014 Plan.

*Term.* If approved, the 2014 Plan is effective June 9, 2014 and awards may be granted through June 9, 2024. No awards may be granted under the 2014 Plan subsequent to that date. The Board may suspend or terminate the 2014 Plan without stockholder approval or ratification at any time or from time to time.

*Amendments.* Subject to the terms of the 2014 Plan, the Committee as administrator has the sole discretion to interpret the provisions of the 2014 Plan and outstanding awards. Our Board generally may amend or terminate the 2014 Plan at any time and for any reason, except that no amendment, suspension, or termination may impair the rights of any participant without his or her consent, and except that approval of our shareholders is required for any amendment which:

- Increases the number of shares of Common Stock subject to the 2014 Plan;
- Decreases the price at which grants may be granted;
- Reprices existing options;
- Materially increases the benefits to participants; or
- Changes the class of persons eligible to receive grants under the 2014 Plan.

## **Types of Awards**

*Stock Options.* Incentive Stock Options and Nonstatutory Stock Options are granted pursuant to award agreements adopted by our Committee. Our Committee determines the exercise price for a stock option, within the terms and conditions of the 2014 Plan; provided, that the exercise price of an Incentive Stock Option cannot be less than 100% of the fair market value of our Common Stock on the date of grant. Options granted under the 2014 Plan vest at the rate specified by our Committee.

The Committee determines the term of stock options granted under the 2014 Plan, up to a maximum of 10 years, except in the case of certain Incentive Stock Options, as described below. The Committee will also determine the length of period during which an optionholder may exercise their options if an optionholder's relationship with us, or any of our affiliates, ceases for any reason; for Incentive Stock Options, this period is limited by applicable law. The Committee may extend the exercise period in the event that exercise of the option following termination of service is prohibited by applicable securities laws. In no event, however, may an option be exercised beyond the expiration of its term unless the term is extended in accordance with applicable law.

Acceptable consideration for the purchase of Common Stock issued upon the exercise of a stock option will be determined by the Committee and may include (a) cash or its equivalent, (b) delivering a properly executed notice of exercise of the option to us and a broker, with irrevocable instructions to the broker promptly to deliver to us the amount necessary to pay the exercise price of the option, (c) any other form of legal consideration that may be acceptable to the Committee or (d) any combination of (a), (b) or (c).

Unless the Committee provides otherwise, options are generally transferable in accordance with applicable law, provided that any transferee of such options agrees to become bound by the terms of the 2014 Plan. An optionholder may also designate a beneficiary who may exercise the option following the optionholder's death.

*Incentive or Nonstatutory Stock Options.* Incentive Stock Options may be granted only to our employees, and the employees of our parent or subsidiary corporations, if any. The Committee may grant awards of Incentive or Nonstatutory Stock Options that are fully vested on the date made, to any of our employees, directors or consultants. Option Awards are granted pursuant to award agreements adopted by our Committee. To the extent required by applicable law, the aggregate fair market value, determined at the time of grant, of shares of our Common Stock with respect to Incentive Stock Options that are exercisable for the first time by an optionholder during any calendar year may not exceed \$100,000. To the extent required by applicable law, no Incentive Stock Option may be granted to any person who, at the time of the grant, owns or is deemed to own stock possessing more than 10% of our total combined voting power or that of any of our affiliates unless (a) the option exercise price is at least 110% of the fair market value of the stock subject to the option on the date of grant and (b) the term of the incentive stock option does not exceed five years from the date of grant.

*Stock Appreciation Rights.* A SAR is the right to receive stock, cash, or other property equal in value to the difference between the grant price of the SAR and the market price of the Company's Common Stock on the exercise date. SARs may be granted independently or in tandem with an Option at the time of grant of the related Option. An SAR granted in tandem with an Option shall be exercisable only to the extent the underlying Option is exercisable. An SAR confers on the grantee a right to receive an amount with respect to each share of Common Stock subject thereto, upon exercise thereof, equal to the excess of (A) the fair market value of one share of Common Stock on the date of exercise over (B) the grant price of the SAR (which in the case of an SAR granted in tandem with an Option shall be equal to the exercise price of the underlying Option, and which in the case of any other SAR shall be such price as the Committee may determine but in no event shall be less than the fair market value of a share of common stock on the date of grant of such SAR).

*Restricted Stock and Restricted Stock Units.* Restricted Stock is common stock that the company grants subject to transfer restrictions and vesting criteria. A Restricted Stock Unit is a right to receive stock or cash equal to the value of a share of stock at the end of a specified period that the company grants subject to transfer restrictions and vesting criteria. The grant of these awards under the 2014 Plan are subject to such terms, conditions and restrictions as the Committee determines consistent with the terms of the 2014 Plan.

At the time of grant, the Committee may place restrictions on Restricted Stock and Restricted Stock Units that shall lapse, in whole or in part, only upon the attainment of Performance Goals; provided that such Performance Goals shall relate to periods of performance of at least one fiscal year, and if the award is granted to a 162(m) Officer, the grant of the award and the establishment of the Performance Goals shall be made during the period required under Internal Revenue Code Section 162(m). Except to the extent restricted under the award agreement relating to the Restricted Stock, a grantee granted Restricted Stock shall have all of the rights of a stockholder including the right to vote Restricted Stock and the right to receive dividends.

Unless otherwise provided in an award agreement, upon the vesting of a Restricted Stock Unit, there shall be delivered to the grantee, within 30 days of the date on which such award (or any portion thereof) vests, the number of shares of common stock equal to the number of Restricted Stock Units becoming so vested.

*Other Stock-Based Awards.* The 2014 Plan also allows the Committee to grant "Other Stock-Based Awards," which means a right or other interest that may be denominated or payable in, valued in whole or in part by reference to, or otherwise based on, or related to, common stock. This includes, without limitation, (i) unrestricted stock awarded as a bonus or upon the attainment of Performance Goals or otherwise as permitted under the 2014 Plan and (ii) a right to acquire stock from the Company containing terms and conditions prescribed by the Committee. At the time of the grant of Other Stock-Based Awards, the Committee may place restrictions on the payout or vesting of Other Stock-Based Awards that shall lapse, in whole or in part, only upon the attainment of Performance Goals; provided that such Performance Goals shall relate to periods of performance of at least one fiscal year, and if the award is granted to a 162(m) Officer, the grant of the Award and the establishment of the Performance Goals shall be made during the period required under Internal Revenue Code Section 162(m). Other Stock-Based Awards may not be granted with the right to receive dividend equivalent payments.

*Cash-Based Awards.* The Committee may grant Cash-Based Awards under the 2014 Plan that specify the amount of cash to which the award pertains, the conditions under which the award will be vested and exercisable or payable, and such other conditions as the Committee may determine that are consistent with the terms of the 2014 Plan. At the time of the grant of Cash-Based Awards, the Committee may place restrictions on the payout or vesting of Cash-Based Awards that shall lapse, in whole or in part, only upon the attainment of Performance Goals, similar to those for Other Stock-Based Awards.

## **U.S. Federal Income Tax Considerations**

*The following is a brief description of the material United States federal income tax consequences associated with awards under the 2014 Plan. It is based on existing United States laws and regulations, and there can be no assurance that those laws and regulations will not change in the future. Tax consequences in other countries may vary. This information is not intended as tax advice to anyone, including participants in the 2014 Plan.*

*Stock Options.* Neither incentive stock option grants nor non-qualified stock option grants cause any tax consequences to the participant or Tonix at the time of grant. Upon the exercise of a non-qualified stock option, the excess of the market value of the shares acquired over their exercise price is ordinary income to the participant and is deductible by Tonix. The participant's tax basis for the shares is the market value thereof at the time of exercise. Any gain or loss realized upon a subsequent disposition of the stock will generally constitute capital gain, in connection with which Tonix will not be entitled to a tax deduction.

Upon the exercise of an incentive stock option, the participant will not realize taxable income, but the excess of the fair market value of the stock over the exercise price may give rise to alternative minimum tax. When the stock acquired upon exercise of an incentive stock option is subsequently sold, the participant will recognize income equal to the difference between the sales price and the exercise price of the option. If the sale occurs after the expiration of two years from the grant date and one year from the exercise date, the income will constitute long-term capital gain. If the sale occurs prior to that time, the participant will recognize ordinary income to the extent of the lesser of the gain realized upon the sale or the difference between the fair market value of the acquired stock at the time of exercise and the exercise price; any additional gain will constitute capital gain. Tonix will be entitled to a deduction in an amount equal to the ordinary income recognized by the participant, but no deduction in connection with any capital gain recognized by the participant. If the participant exercises an incentive stock option more than three months after his or her termination of employment due to retirement or other separation other than death or disability, or more than twelve months after his or her termination of employment due to death or permanent disability, he or she is deemed to have exercised a non-qualified stock option.

Compensation realized by participants on the exercise of non-qualified stock options or the disposition of shares acquired upon exercise of any incentive stock options should qualify as performance-based compensation under the Code and thus not be subject to the \$1,000,000 deductibility limit of Code Section 162(m).

*Stock Appreciation Rights.* A participant granted a stock appreciation right under the 2014 Plan will not recognize income, and Tonix will not be allowed a tax deduction, at the time the award is granted. When the participant exercises the stock appreciation right, the amount of cash and the fair market value of any shares of stock or other consideration received will be ordinary income to the participant and Tonix will be allowed a corresponding federal income tax deduction at that time. Compensation realized by the participant on the exercise of the stock appreciation right should qualify as performance-based compensation under the Code and thus not be subject to the \$1,000,000 deductibility limit of Code Section 162(m).



*Restricted Stock.* Restricted stock is not taxable to a participant at the time of grant, but instead is included in ordinary income (at its then fair market value) when the restrictions lapse. A participant may elect, however, to recognize income at the time of grant, in which case the fair market value of the restricted shares at the time of grant is included in ordinary income and there is no further income recognition when the restrictions lapse. If a participant makes such an election and thereafter forfeits the restricted shares, he or she will be entitled to no tax deduction, capital loss or other tax benefit. Tonix is entitled to a tax deduction in an amount equal to the ordinary income recognized by the participant, subject to any applicable limitations under Code Section 162(m).

A participant's tax basis for restricted shares will be equal to the amount of ordinary income recognized by the participant. The participant will recognize capital gain (or loss) on a sale of the restricted stock if the sale price exceeds (or is lower than) such basis. The holding period for restricted shares for purposes of characterizing gain or loss on the sale of any shares as long- or short-term commences at the time the participant recognizes ordinary income pursuant to an award. Tonix is not entitled to a tax deduction corresponding to any capital gain or loss of the participant.

*Restricted Stock Units.* A participant will not recognize income, and Tonix will not be allowed a tax deduction, at the time a restricted stock unit award is granted. Upon receipt of shares of stock (or the equivalent value in cash or any combination of cash and Tonix common stock) in settlement of a restricted stock unit award, a participant will recognize ordinary income equal to the fair market value of the stock and cash received as of that date (less any amount he or she paid for the stock and cash), and Tonix will be allowed a corresponding federal income tax deduction at that time, subject to any applicable limitations under Code Section 162(m).

*Performance Awards.* A participant will not recognize income, and Tonix will not be allowed a tax deduction, at the time a performance award is granted (for example, when the performance goals are established). Upon receipt of stock or cash (or a combination thereof) in settlement of a performance award, the participant will recognize ordinary income equal to the fair market value of the stock and cash received, and Tonix will be allowed a corresponding federal income tax deduction at that time, subject to any applicable limitations under Code Section 162(m).

*Code Section 409A.* If an award is subject to Code Section 409A (which relates to nonqualified deferred compensation plans), and if the requirements of Section 409A are not met, the taxable events as described above could apply earlier than described, and could result in the imposition of additional taxes and penalties. All awards that comply with the terms of the 2014 Plan, however, are intended to be exempt from the application of Code Section 409A or meet the requirements of Section 409A in order to avoid such early taxation and penalties.

*Tax Withholding.* Tonix has the right to deduct or withhold, or require a participant to remit to Tonix, an amount sufficient to satisfy federal, state and local taxes (including employment taxes) required by law to be withheld with respect to any exercise, lapse of restriction or other taxable event arising as a result of the 2014 Plan. The Committee may, at the time the award is granted or thereafter, require or permit that any such withholding requirement be satisfied, in whole or in part, by delivery of, or withholding from the award, shares having a fair market value on the date of withholding equal to the amount required to be withheld for tax purposes.

***Required Vote***

Approval of the 2014 Plan requires the receipt of the affirmative vote of the holders of a majority of the shares of the Company's common stock present in person or by proxy and voting at the Annual Meeting.

**RECOMMENDATION OF THE BOARD FOR PROPOSAL NO. 3:**

**THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR APPROVAL OF THE TONIX PHARMACEUTICALS HOLDING CORP. 2014 STOCK INCENTIVE PLAN.**

## PROPOSAL NO. 4

### APPROVAL OF THE TONIX PHARMACEUTICALS HOLDING CORP. 2014 EMPLOYEE STOCK PURCHASE PLAN

#### General

In April 2014, the Compensation Committee recommended to the Board and the Board approved the Tonix Pharmaceuticals Holding Corp. 2014 Employee Stock Purchase Plan (the "2014 ESPP"), subject to approval by our stockholders.

Under the 2014 ESPP, shares of the Company's common stock will be available for purchase by eligible employees who participate in the 2014 ESPP. Eligible employees will be entitled to purchase, by means of payroll deductions, limited amounts of the Company's common stock during periodic offering periods under the 2014 ESPP. The 2014 ESPP will not be effective without stockholder approval.

The Company believes that the 2014 ESPP will help the Company retain and motivate eligible employees and help further align the interests of eligible employees with those of the Company's stockholders.

#### Summary Description of the 2014 Employee Stock Purchase Plan

The principal terms of the 2014 ESPP are summarized below. The discussion of the 2014 ESPP that follows is qualified in its entirety by the description of and full terms of the 2014 ESPP that are included as part of Annex B.

**Purpose.** The purpose of the 2014 ESPP is to provide eligible employees with an opportunity to purchase shares of the Company's common stock at a favorable price through accumulated payroll deductions. The 2014 ESPP is intended to qualify as an "employee stock purchase plan" under Section 423 of the U.S. Internal Revenue Code of 1986, as amended (the "Code").

**Administration.** The Compensation Committee of the Board of Directors (the "Committee") will administer the 2014 ESPP. The Committee has full discretionary authority to construe, interpret and apply the terms of the 2014 ESPP, to determine eligibility and to adjudicate any disputed claims filed under the 2014 ESPP.

**Operation.** The 2014 ESPP is generally expected to operate in consecutive semi-annual periods referred to as "offering periods." The first offering period is expected to commence on July 1, 2014 and end on the last trading day in the semi-annual period ending December 31, 2014, with successive offering periods expected to begin on the first day of January and July and to terminate on the last trading day of June and December, respectively. The 2014 ESPP gives the Committee the flexibility to change the duration of future offering periods. However, offering periods may not last longer than the maximum offering period permitted under Section 423 of the Code. Section 423 of the Code generally limits the length of offering periods to either 5 years or 27 months, depending on the terms of the offering.

On the first day of each offering period or any later date during the offering period when an employee first becomes eligible to participate in the 2014 ESPP (the applicable date is referred to as the "Grant Date"), each eligible employee for that offering period will be granted an option to purchase shares of the Company's common stock. Each participant's option will permit the participant to purchase a number of shares determined by dividing the employee's accumulated payroll deductions for the offering period by the applicable purchase price. A participant must designate in his or her enrollment package the percentage (if any) of compensation to be deducted during that offering period for the purchase of stock under the 2014 ESPP. The participant's payroll deduction election will generally remain in effect for future offering periods unless terminated by the participant. A participant may not increase or decrease his or her payroll deductions during the offering period. A participant may instead elect to withdraw from any offering period prior to the last day of the offering period, in which case the participant's payroll deductions will be refunded and the participant's outstanding options will terminate.

Each participant's payroll deductions under the 2014 ESPP will be credited to a bookkeeping account in his or her name under the 2014 ESPP. Amounts contributed to the 2014 ESPP constitute general corporate assets of the Company and may be used for any corporate purpose.

Each option granted under the 2014 ESPP will automatically be exercised on the last day of the respective offering period (referred to as the "Exercise Date"). The number of shares acquired by a participant upon exercise of his or her option will be determined by dividing the participant's 2014 ESPP account balance as of the Exercise Date for the offering period by the purchase price of the option. The purchase price for each option is generally expected to equal the lesser of (1) 85% of the fair market value of a share of the Company's common stock on the applicable Grant Date, or (2) 85% of the fair market value of a share of the Company's common stock on the applicable Exercise Date. However, the 2014 ESPP gives the Committee the flexibility to change the purchase price for future offering periods, which may include making the purchase price 85% of the fair market value of a share of the Company's common stock on the Exercise Date for the offering period. A participant's 2014 ESPP account will be reduced upon exercise of his or her option by the amount used to pay the purchase price of the shares acquired by the participant. No interest will be paid to any participant or credited to any account under the 2014 ESPP.



**Eligibility.** Only certain employees will be eligible to participate in the 2014 ESPP. All employees of the Company and any subsidiaries of the Company which have been designated by the Committee as eligible to participate in an offering period will generally be eligible to participate in such offering period. However, prior to the start of any offering period, the Committee may provide that the following employees will not be eligible to participate in such offering period:

- employees whose customary employment is for not more than 20 hours per week;
- employees whose customary employment is for not more than five months per calendar year; and
- employees who are citizens or residents of a foreign jurisdiction if the grant of an option is prohibited under the local laws of the jurisdiction.

As of May 1, 2014, approximately seven employees of the Company and its subsidiaries, including all but one of our named executive officers, were eligible to participate in the 2014 ESPP.

**Limits on Authorized Shares; Limits on Contributions.** If the Company's stockholders approve the 2014 ESPP, a maximum of 300,000 shares of the Company's common stock may be purchased under the 2014 ESPP.

Participation in the 2014 ESPP is also subject to the following limits:

- A participant cannot contribute less than 1% or more than 15% of his or her compensation to the purchase of stock under the 2014 ESPP in any one payroll period;
- A participant cannot accrue rights to purchase more than \$25,000 of stock (valued at the Grant Date of the applicable offering period and without giving effect to any discount reflected in the purchase price for the stock) for each calendar year in which an option is outstanding; and
- A participant will not be granted an option under the 2014 ESPP if it would cause the participant to own stock and/or hold outstanding options to purchase stock possessing 5% or more of the total combined voting power or value of all classes of stock of the Company or one of its subsidiaries or to the extent it would exceed certain other limits under the Code.

The Committee has the flexibility to change the minimum and maximum contribution limits and impose individual share limits per offering period for future offering periods without stockholder approval. However, we cannot increase the aggregate share limit under the 2014 ESPP, other than to reflect stock splits and similar adjustments as described below, without stockholder approval. The \$25,000 and the 5% ownership limitations referred to above are required under the Code.

**Termination of Employment.** If a participant ceases to be an eligible employee for any reason, his or her payroll deductions will automatically cease, but the participant will generally continue to participate in the then in-progress offering period until the applicable Exercise Date. However, if the applicable Exercise Date occurs more than three months after the participant ceases to be an eligible employee, the participant's payroll deductions will be refunded to the participant and his or her outstanding options will terminate. Like other participants, a participant who ceases to be an eligible employee continues to have the right to withdraw from any offering period prior to the last day of the offering period, in which case the participant's payroll deductions will be refunded and the participant's outstanding options will terminate.

**Corporate Transactions.** Generally, if the Company undergoes certain corporate transactions, such as a merger, business combination, or other reorganization, or a sale of substantially all of its assets, in connection with which the Company does not survive (or does not survive as a public company), the Committee may provide for the assumption, substitution or other continuation of outstanding options. If the Committee does not provide for the assumption, substitution or other continuation of outstanding options upon the occurrence of such a corporate transaction, the then in-progress offering period will be shortened by establishing a new Exercise Date that is before the date of the corporate transaction.

**Liquidation or Dissolution.** If the Company proposes to dissolve or liquidate, unless otherwise provided by the Committee, the then in-progress offering period will be shortened by establishing a new Exercise Date that is before the date of the liquidation or dissolution.

**Adjustments.** As is customary in stock incentive plans of this nature, the number and type of shares of stock available under the 2014 ESPP or subject to outstanding options, as well as the purchase price of outstanding options and the share limits under the 2014 ESPP, are subject to adjustment in the event of certain reorganizations, mergers, combinations, recapitalizations, spin-offs, stock splits, stock dividends, extraordinary dividends or distributions of property to the stockholders or any similar unusual or extraordinary corporate transaction in respect of the Company's common stock.

**Transfer Restrictions.** A participant's rights with respect to options or the purchase of shares under the 2014 ESPP, as well as payroll deductions credited to his or her 2014 ESPP account, may not be assigned, transferred, pledged or otherwise disposed of in any way except by will or the laws of descent and distribution.

**Amendments.** The Committee generally may amend, suspend, or terminate the 2014 ESPP at any time and in any manner, except that stockholder approval is required to increase the number of shares authorized for issuance under the 2014 ESPP and for certain other amendments. No amendment to the 2014 ESPP may adversely affect the option rights previously granted to a participant under the 2014 ESPP, except as required by law or regulation.

**Term.** Subject to stockholder approval, the 2014 ESPP will become effective on July 1, 2014 and will continue in effect for a term of 10 years, unless terminated earlier by the Committee.

### **Federal Income Tax Consequences of the 2014 Employee Stock Purchase Plan**

Following is a general summary of the current federal income tax principles applicable to the 2014 ESPP. The following summary is not intended to be exhaustive and, among other considerations, does not describe the deferred compensation provisions of Section 409A of the Code to the extent an award is subject to and does not satisfy those rules, nor does it describe state, local or international tax consequences.

The 2014 ESPP is intended to qualify as an “employee stock purchase plan” under Section 423 of the Code. Participant contributions to the 2014 ESPP through payroll deductions are made on an after-tax basis. That is, a participant’s payroll deductions that are contributed to the 2014 ESPP are deducted from compensation that is taxable to the participant and for which the Company is generally entitled to a tax deduction.

Generally, no taxable income is recognized by a participant with respect to either the grant or exercise of his or her 2014 ESPP option. The Company will have no tax deduction with respect to either of those events. A participant will generally recognize income (or loss) only upon a sale or disposition of any shares that the participant acquires under the 2014 ESPP. The particular tax consequences of a sale or disposition of shares acquired under the 2014 ESPP depend on whether the participant has held the shares for a “Required Holding Period” before selling or disposing of the shares. The Required Holding Period ends on the later of (1) two years after the Grant Date of the offering period in which the participant acquired the shares, or (2) one year after the Exercise Date on which the participant acquired the shares.

If the participant holds the shares for the Required Holding Period and then sells the shares at a price in excess of the purchase price paid for the shares, the gain on the sale of the shares will be taxed as ordinary income to the participant to the extent of the lesser of (1) the amount by which the fair market value of the shares on the Grant Date of the offering period in which the participant acquired the shares exceeded the purchase price of the shares (calculated as though the shares had been purchased on the Grant Date), or (2) the gain on the sale of the shares. Any portion of the participant’s gain on the sale of the shares not taxed as ordinary income will be taxed as long-term capital gain. If the participant holds the shares for the Required Holding Period and then sells the shares at a price less than the purchase price paid for the shares, the loss on the sale will be treated as a long-term capital loss to the participant. The Company will not be entitled to a tax deduction with respect to any shares held by the participant for the Required Holding Period, regardless of whether the shares are eventually sold at a gain or a loss.

The participant has a “Disqualifying Disposition” if the participant disposes of the shares before the participant has held the shares for the Required Holding Period. If the participant sells the shares in a Disqualifying Disposition, the participant will realize ordinary income in an amount equal to the difference between the purchase price paid for the shares and the fair market value of the shares on the Exercise Date on which the participant acquired the shares, and the Company generally will be entitled to a corresponding tax deduction. In addition, if the participant makes a Disqualifying Disposition of the shares at a price in excess of the fair market value of the shares on the Exercise Date, the participant will realize capital gain in an amount equal to the difference between the selling price of the shares and the fair market value of the shares on the Exercise Date. Alternatively, if the participant makes a Disqualifying Disposition of the shares at a price less than the fair market value of the shares on the Exercise Date, the participant will realize a capital loss in an amount equal to the difference between the fair market value of the shares on the Exercise Date and the selling price of the shares. The Company will not be entitled to a tax deduction with respect to any capital gain realized by a participant.

### **Specific Benefits under the 2014 Employee Stock Purchase Plan**

The benefits that will be received by or allocated to eligible employees under the 2014 ESPP cannot be determined at this time because the amount of payroll deductions contributed to purchase shares of the Company’s common stock under the 2014 ESPP (subject to the limitations discussed above) is entirely within the discretion of each participant.

### ***Required Vote***

Approval of the 2014 ESPP Plan requires the receipt of the affirmative vote of the holders of a majority of the shares of the Company’s common stock present in person or by proxy and voting at the Annual Meeting.

### **RECOMMENDATION OF THE BOARD FOR PROPOSAL NO. 4:**

**THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR APPROVAL OF THE TONIX PHARMACEUTICALS HOLDING CORP. 2014 EMPLOYEE STOCK PURCHASE PLAN.**

## SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth certain information regarding beneficial ownership of our common stock as of May 1, 2014:

- by each person who is known by us to beneficially own more than 5% of our common stock;
- by each of our officers and directors; and
- by all of our officers and directors as a group.

Unless otherwise indicated in the footnotes to the following table, each person named in the table has sole voting and investment power and that person's address is c/o Tonix Pharmaceuticals Holding Corp., 509 Madison Avenue, Suite 306, New York New York 10022.

NAME OF OWNER	TITLE OF CLASS	NUMBER OF SHARES OWNED (1)	PERCENTAGE OF COMMON STOCK (2)
Seth Lederman	Common Stock	534,284 (3)	5.30 %
Leland Gershell	Common Stock	56,173 (4)	*
Bruce Daugherty	Common Stock	140,387 (5)	1.40 %
Stuart Davidson	Common Stock	103,866 (6)	1.04 %
Patrick Grace	Common Stock	18,826 (7)	*
Donald Landry	Common Stock	96,627 (8)	*
Ernest Mario	Common Stock	189,221 (9)	1.89 %
Charles Mather IV	Common Stock	25,446 (10)	*
John Rhodes	Common Stock	113,911 (11)	1.14 %
Samuel Saks	Common Stock	48,383 (12)	*
Officers and Directors as a Group (10 persons)	Common Stock	1,282,000 (13)	12.32 %
Technology Partners Fund VIII, LP (14)	Common Stock	1,025,913 (15)	9.86 %

\* Denotes less than 1%

(1) Beneficial Ownership is determined in accordance with the rules of the SEC and generally includes voting or investment power with respect to securities. Shares of common stock subject to options or warrants currently exercisable or convertible, or exercisable or convertible within 60 days of May 1, 2014 are deemed outstanding for computing the percentage of the person holding such option or warrant but are not deemed outstanding for computing the percentage of any other person.

(2) Percentage based upon 9,929,206 shares of common stock issued and outstanding as of May 1, 2014.

(3) Includes 54,303 shares of common stock underlying options which are currently exercisable or become exercisable within 60 days, 184,628 shares of common stock and 54,500 shares of common stock underlying warrants owned by Lederman & Co, 32,457 shares of common stock and 12,667 shares of common stock underlying warrants owned by L&L, 58,972 shares of common stock and 8,250 shares of common stock underlying warrants owned by Targent, 29,167 shares of common stock and 4,167 shares of common stock underlying warrants owned by Leder Laboratories, Inc. and 29,167 shares of common stock and 4,167 shares of common stock underlying warrants owned by Starling Pharmaceuticals, Inc. Seth Lederman, as the Managing Member of Lederman & Co and Targent, the Manager of L&L and the Chairman of Leder Laboratories, Inc. and Starling Pharmaceuticals, Inc., has investment and voting control over the shares held by these entities.

(4) Includes 40,688 shares of common stock underlying options which are currently exercisable or become exercisable within 60 days and 6,665 shares of common stock underlying warrants.

(5) Includes 27,227 shares of common stock underlying options which are currently exercisable or become exercisable within 60 days and 55,392 shares of common stock underlying warrants.

(6) Includes 11,950 shares of common stock underlying options which are currently exercisable or become exercisable within 60 days, 74,536 shares of common stock and 10,834 shares of common stock underlying warrants owned by Lysander, LLC and 6,546 shares owned by Oystercatcher Trust. Stuart Davidson, as the Member of Lysander, LLC and Trustee of Oystercatcher Trust, has investment and voting control over the shares held by these entities.

(7) Includes 12,280 shares of common stock underlying options which are currently exercisable or become exercisable within 60 days.

(8) Includes 11,616 shares of common stock underlying options which are currently exercisable or become exercisable within 60 days and 32,457 shares of common stock and 12,667 shares of common stock underlying warrants owned by L&L. Donald Landry, as a Member of L&L, has investment and voting control over the shares held by this entity.

(9) Includes 11,616 shares of common stock underlying options which are currently exercisable or become exercisable within 60 days and 57,892 shares of common stock underlying warrants.

(10) Includes 11,616 shares of common stock underlying options which are currently exercisable or become exercisable within 60 days and 3,000 shares of common stock underlying warrants.

(11) Includes 11,950 shares of common stock underlying options which are currently exercisable or become exercisable within 60 days and 26,765 shares of common stock underlying warrants.

(12) Includes 11,616 shares of common stock underlying options which are currently exercisable or become exercisable within 60 days and 14,217 shares of common stock underlying warrants.

(13) Includes 204,862 shares of common stock underlying options which are currently exercisable or become exercisable within 60 days, 184,628 shares of common stock and 54,500 shares of common stock underlying warrants owned by Lederman & Co, 32,457 shares of common stock and 12,667 shares of common stock underlying warrants owned by L&L, 58,972 shares of common stock and 8,250 shares of common stock underlying warrants owned by Targent, 29,167 shares of common stock and 4,167 shares of common stock underlying warrants owned by Leder Laboratories, Inc., 29,167 shares of common stock and 4,167 shares of common stock underlying warrants owned by Starling Pharmaceuticals, Inc., 74,536 shares of common stock and 10,834 shares of common stock underlying warrants owned by Lysander, LLC, 6,546 shares owned by Oystercatcher Trust and 176,936 shares of common stock underlying warrants owned directly by the executive officers and directors.

(14) The mailing address for this beneficial owner is 100 Shoreline Highway, Suite 282-B, Mill Valley, California 94941. Sheila Mutter and Roger Quy are the managing members of TP Management VIII, LLC, the general partner of Technology Partners Fund VIII, LP and have voting and investment power over the securities owned by it.

(15) Based upon a Schedule 13G/A dated as of December 31, 2013 and filed with the SEC on February 13, 2014 by Technology Partners Fund VIII, LP. Includes 477,941 shares of common stock underlying warrants. Does not include 133,334 purchased shares as of the January 2014 offering.

#### INFORMATION ABOUT THE EXECUTIVE OFFICERS

The executive officers are elected by our Board of Directors and hold office until their successors are elected and duly qualified. There are no family relationships between any of our directors or executive officers. The current executive officers of the Company are as follows:

NAME	AGE	OFFICES HELD
Seth Lederman	56	President, CEO and Chairman of the Board of Directors
Leland Gershell	42	Chief Financial Officer and Treasurer
Bruce Daugherty	56	Chief Scientific Officer, Controller and Secretary
Donald Kellerman	59	Senior Vice President Clinical Development and Regulatory Affairs

Biographical information about Dr. Lederman is provided in "Proposal No. 1 - Election of Directors".

**Leland Gershell, MD PhD** became our Chief Financial Officer in April 2012 and our Treasurer in November 2012. From May 2011 to December 2011, Dr. Gershell was Managing Director and Senior Analyst at Madison Williams and Company, where he was responsible for equity research coverage of specialty pharmaceutical and biotechnology companies. From April 2010 to October 2010, Dr. Gershell was Senior Analyst at Favus Institutional Research, where he was responsible for issuing research reports on a variety of healthcare companies to institutional investors. From October 2008 to October 2009, Dr. Gershell was Senior Analyst at Apothecary Capital, a healthcare investment firm. From November 2004 to September 2008, Dr. Gershell was an equity research analyst at Cowen and Company, most recently as Vice President, where he was responsible for the equity research coverage of small and middle capitalization biotechnology companies. Dr. Gershell earned his M.D. and Ph.D. in Organic Chemistry from Columbia University and his B.A. magna cum laude in Chemistry and Asian Studies from Dartmouth College. Dr. Gershell is an inventor on patents for SAHA/vorinostat, which is marketed by Merck as Zolanza® and is the first histone deacetylase (HDAC) inhibitor to receive FDA approval.

**Bruce Daugherty, PhD** became our Controller in April 2012, our Secretary in November 2012 and our Chief Scientific Officer in August 2013. Between April 2012 and August 2013, Dr. Daugherty was our Senior Director of Drug Development. Dr. Daugherty has also been the Secretary and a director of Tonix Pharmaceuticals (Canada), Inc. since its inception in April 2013. Since January 2009, Dr. Daugherty has worked as a consultant to academia and biotechnology companies in drug discovery/development and licensing through his consulting company, LeClair Pharma Consulting, LLC. Dr. Daugherty was a consultant to our company between November 2011 and March 2012. In 2009, Dr. Daugherty was employed at Assumption College in Mendham, New Jersey, where he was a lecturer in Biology for freshman students. From 1987 to 2008, Dr. Daugherty was employed at Merck & Co., where he was a scientist in drug discovery and development. Dr. Daugherty earned his MBA from Emory University's Goizueta Business School, his PhD in Molecular Genetics and Microbiology from Rutgers University-Robert Wood Johnson Medical School, his MS in Zoology from Rutgers University and his BA in Biology from Washington University in St. Louis.

**Donald Kellerman, Pharm.D.** became our Senior Vice President Clinical Development and Regulatory Affairs on April 1, 2014. Between 2008 and December 2013, Dr. Kellerman served as Senior Vice President, Clinical Development and Medical Affairs at MAP Pharmaceuticals, Inc. (acquired by Allergan, Inc.). Prior to joining MAP Pharmaceuticals, Dr. Kellerman held positions at Inspire Pharmaceuticals, Inc. (acquired by Merck & Co., Inc.), Glaxo Wellcome plc, Sepracor, Inc. (acquired by Daiippon Sumitomo Pharma Co., Ltd.), Ciba-Geigy Corporation, and E.R. Squibb and Sons, Inc. Dr. Kellerman received his Bachelor of Science and Doctor of Pharmacy from the College of Pharmacy at the University of Minnesota.

### Involvement in Certain Legal Proceedings

Our directors and executive officers have not been involved in any of the following events during the past ten years:

1. any bankruptcy petition filed by or against such person or any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time;
2. any conviction in a criminal proceeding or being subject to a pending criminal proceeding (excluding traffic violations and other minor offenses);
3. being subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, permanently or temporarily enjoining him from or otherwise limiting his involvement in any type of business, securities or banking activities or to be associated with any person practicing in banking or securities activities;
4. being found by a court of competent jurisdiction in a civil action, the Securities and Exchange Commission or the Commodity Futures Trading Commission to have violated a Federal or state securities or commodities law, and the judgment has not been reversed, suspended, or vacated;
5. being subject of, or a party to, any Federal or state judicial or administrative order, judgment decree, or finding, not subsequently reversed, suspended or vacated, relating to an alleged violation of any Federal or state securities or commodities law or regulation, any law or regulation respecting financial institutions or insurance companies, or any law or regulation prohibiting mail or wire fraud or fraud in connection with any business entity; or
6. being subject of or party to any sanction or order, not subsequently reversed, suspended, or vacated, of any self-regulatory organization, any registered entity or any equivalent exchange, association, entity or organization that has disciplinary authority over its members or persons associated with a member.

### EXECUTIVE COMPENSATION

The following table provides certain summary information concerning compensation awarded to, earned by or paid to our Chief Executive Officer, the two highest paid executive officers and up to two other highest paid individuals whose total annual salary and bonus exceeded \$100,000 for fiscal years 2013 and 2012.

Name & Principal Position	Year	Salary (\$)	Bonus (\$)	Stock Awards (\$)	Option Awards (\$)	Non-Equity Incentive Plan Compensation (\$)	Change in Pension Value and Non-Qualified Deferred Compensation Earnings (\$)	All Other Compensation (\$)	Total (\$)
Seth Lederman (1) Chief Executive Officer	2013	-	277,500	-	528,525	-	-	265,625 (2)	1,071,650
	2012	-	-	-	822,715	-	-	279,750 (2)	1,102,465
Leland Gershell (3) Chief Financial Officer	2013	185,415	128,750	-	411,075	-	-	-	725,240
	2012	138,542	-	-	587,654	-	-	-	726,196
Bruce Daugherty (4) Chief Scientific Officer	2013	150,662	87,500	-	234,900	-	-	-	473,062
	2012	110,833	-	-	470,123	-	-	-	580,956

- (1) Dr. Lederman became our President and Chief Executive Officer on October 7, 2011. His compensation reflects payments made to him either through Tonix or Tonix Sub.
- (2) Represents \$0 and \$40,000 of consulting fees paid to L&L, and \$265,625 and \$239,750 of consulting fees paid to Lederman & Co for the years ended December 31, 2013 and 2012, respectively.
- (3) Dr. Gershell became our Chief Financial Officer on April 1, 2012 and our Treasurer in November 2012.
- (4) Dr. Daugherty became our Senior Director of Drug Development and Controller on April 1, 2012. Dr. Daugherty became our Secretary in November 2012. Dr. Daugherty became our Chief Scientific Officer on August 14, 2013.

### Option/SAR Grants in Fiscal Year Ended December 31, 2013

Name	Grant Date	All Other Option Awards: Number of Securities Underlying Options (#)	Exercise or Base Price of Option Awards (\$/Share)	Grant Date Fair Value of Stock and Option Awards (\$)
Seth Lederman	2/12/2013	67,500	\$ 10.20	\$ 7.83
Leland Gershell	2/12/2013	52,500	\$ 10.20	\$ 7.83
Bruce Daugherty	2/12/2013	30,000	\$ 10.20	\$ 7.83

### Outstanding Equity Awards at Fiscal Year-End Table

The following table sets forth information for the named executive officers regarding the number of shares subject to both exercisable and unexercisable stock options, as well as the exercise prices and expiration dates thereof, as of December 31, 2013.

Name	Number of Securities underlying Unexercised Options (#) Exercisable	Number of Securities underlying Unexercised Options (#) Unexercisable	Option Exercise Price (\$/Sh)	Option Expiration Date
Seth Lederman	18,471	16,529	\$ 30.00	5/9/2022
	-	67,500	\$ 10.20	2/12/2023
Leland Gershell	13,192	11,808	\$ 30.00	5/9/2022
	-	52,500	\$ 10.20	2/12/2023
Bruce Daugherty	10,559	9,441	\$ 30.00	5/9/2022
	-	30,000	\$ 10.20	2/12/2023

### Equity Compensation Plan Information

Plan category	Number of securities to be issued upon exercise of outstanding options (a)	Weighted-average price of outstanding options (b)	Securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	376,500	\$ 18.09	173,500
Equity compensation plans not approved by security holders	-	-	-
<b>Total</b>	<b>376,500</b>	<b>\$ 18.09</b>	<b>173,500</b>

### Employment Contracts and Termination of Employment and Change-In-Control Arrangements

#### Employment Agreements with Seth Lederman, Leland Gershell and Bruce Daugherty

On February 11, 2014, the Company entered into an employment agreement (the "Lederman Agreement") with Dr. Seth Lederman ("Lederman") to continue to serve as our President, Chief Executive Officer and Chairman of the board of directors of the Company (the "Board"). On March 14, 2014, the Company entered into an employment agreement (the "Daugherty Agreement") with Dr. Bruce Daugherty ("Daugherty") to continue to serve as our Chief Scientific Officer. On March 19, 2014, the Company entered into an employment agreement (the "Gershell Agreement" and together with the Lederman Agreement and Daugherty Agreement, the "Agreements") with Dr. Leland Gershell ("Gershell" and together with Lederman and Daugherty, the "Executives") to continue to serve as our Chief Financial Officer and Treasurer.

The base salaries for Lederman, Gershell and Daugherty under the Agreements are \$425,000, \$325,000 and \$220,000 per annum, respectively. The Agreements have an initial term of one year and automatically renew for successive one year terms unless either party delivers written notice not to renew at least 60 days prior to the end of the current term.

Pursuant to the Agreements, if the Company terminates Executive's employment without Cause (as defined in the Agreements) or Executive resigns for Good Reason (as defined in the Agreement), the Executive is entitled to the following payments and benefits: (1) his fully earned but unpaid base salary through the date of termination at the rate then in effect, plus all other benefits, if any, under any group retirement plan, nonqualified deferred compensation plan, equity award plan or agreement, health benefits plan or other group benefit plan to which Executive may be entitled to under the terms of such plans or agreements; (2) a lump sum cash payment in an amount equal to 12 months of his base salary as in effect immediately prior to the date of termination; (3) continuation of health benefits for Executive and his eligible dependents for a period of 12 months following the date of termination; and (4) the automatic acceleration of the vesting and exercisability of outstanding unvested stock awards as to the number of stock awards that would have vested over the 12-month period following termination had such Executive remained continuously employed by the Company during such period.

Pursuant to the Agreement, if Executive's employment is terminated as a result of death or permanent disability, Executive or his estate, as applicable, is entitled to the following payments and benefits: (1) his fully earned but unpaid base salary through the end of the month in which termination occurs (except that for Lederman, it is through the date of termination) at the rate then in effect; (2) a lump sum cash payment in an amount equal to six months of his base salary as in effect immediately prior to the date of termination; and (3) the automatic acceleration of the vesting and exercisability of outstanding unvested stock awards.

If Executive is terminated without Cause or resigns for Good Reason during the period commencing 90 days prior to a Change in Control (as defined below) or 12 months following a Change in Control, Lederman shall be entitled to receive, in lieu of the severance benefits described above, the following payments and benefits: (1) a lump sum cash payment in an amount equal to 36 months (18 months for Gershell and Daugherty) of his base salary as in effect immediately prior to the date of termination, except that, while Executive is still entitled to the Sale Bonus (as defined below), it will only be 18 months (9 months for Gershell and Daugherty); (2) continuation of health benefits for Executive and his eligible dependents for a period of 24 months (12 months for Gershell and Daugherty) following the date of termination, except that, while Executive is still entitled to the Sale Bonus it will only be 12 months (6months for Gershell and Daugherty); and (3) the automatic acceleration of the vesting and exercisability of outstanding unvested stock awards.

If during the term of the Agreement or within 120 days after Executive is terminated without Cause or resigns for Good Reason, following a Change in Control, the Company consummates a Change in Control transaction in which the Enterprise Value (as defined below) equals or exceeds \$50 million, Executive shall be entitled to receive a lump sum payment equal to (i) for Lederman, 4.4% of the Enterprise Value, (ii) for Gershell, 2.0% of the Enterprise Value, and (iii) for Daugherty, 1.6% of the Enterprise Value (the "Sale Bonus"). The Sale Bonus provision of the Agreement will terminate upon the Company granting Executive long-term incentive compensation mutually agreed to by the Board and such Executive.

For purposes of the Agreements, "Cause" generally means (1) commission of an act of fraud, embezzlement or dishonesty or some other illegal act that has a demonstrable material adverse impact on the Company or any successor or affiliate of the Company, (2) conviction of, or entry into a plea of "guilty" or "no contest" to, a felony, and (3) unauthorized use or disclosure of the Company's confidential information or trade secrets or any successor or affiliate of the Company that has, or may reasonably be expected to have, a material adverse impact on any such entity.

For purposes of the Lederman Agreement, "Cause" also means (1) gross negligence, failure to follow a material, lawful and reasonable request of the Board or material violation of any duty of loyalty to the Company or any successor or affiliate of the Company, or any other demonstrable material willful misconduct by Lederman, (2) ongoing and repeated failure or refusal to perform or neglect of his duties as required by his employment agreement, which failure, refusal or neglect continues for 30 days following Lederman's receipt of written notice from the Board stating with specificity the nature of such failure, refusal or neglect, provided that such failure to perform is not as a result of illness, injury or medical incapacity, or (3) material breach of any Company policy or any material provision of the Lederman Agreement.

For purposes of the Gershell Agreement and Daugherty Agreement, "Cause" also means (1) gross negligence, failure to follow a material, lawful and reasonable request of the CEO or material violation of any duty of loyalty to the Company or any successor or affiliate of the Company, or any other demonstrable material misconduct by Gershell or Daugherty, (2) ongoing and repeated failure or refusal to perform or neglect of his duties as required by his employment agreement, which failure, refusal or neglect continues for 30 days following receipt of written notice from the Company stating with specificity the nature of such failure, refusal or neglect, or (3) breach of any Company policy or any material provision of the Gershell Agreement or Daugherty Agreement, as applicable.

For purposes of the Agreements, "Good Reason" generally means (1) a material diminution in Executive's title, authority, duties or responsibilities, (2) a material diminution in the executive officer's base compensation, unless such a reduction is imposed across-the-board to the Company's senior management, and for purposes of the Lederman Agreement, such reduction is not greater than 15%, (3) a material change in the geographic location at which the executive officer must perform his duties, (4) any other action or inaction that constitutes a material breach by the Company or any successor or affiliate of the Company's obligations to Executive under the Agreement, or (5) the Company elects not to renew the Agreement for another term.

For purposes of the Agreements, “Change in Control” generally means:

- A transaction or series of transactions (other than public offerings) that results in any person or entity or related group of persons or entities (other than the Company, its subsidiaries, an employee benefit plan maintained by the Company or any of its subsidiaries or a person or entity that, prior to such transaction, directly or indirectly controls, is controlled by, or is under common control with, the Company) of beneficial ownership (within the meaning of Rule 13d-3 under the Exchange Act) of more than 40% of the total combined voting power of the Company’s securities outstanding immediately after such acquisition;
- (1) a merger, consolidation, reorganization, or business combination or (2) the sale, exchange or transfer of all or substantially all of the Company’s assets in any single transaction or series of transactions or (3) the acquisition of assets or stock of another entity, in each case other than a transaction:
  - which results in the Company’s voting securities outstanding immediately before the transaction continuing to represent, directly or indirectly, at least 60% of the combined voting power of the successor entity’s outstanding voting securities immediately after the transaction, and
  - after which no person or group beneficially owns voting securities representing 40% or more of the combined voting power of the Company or its successor; provided, however, that no person or group is treated as beneficially owning 40% or more of combined voting power of the Company or its successor solely as a result of the voting power held in the Company prior to the consummation of the transaction.

For purposes of the Agreements, “Enterprise Value” generally means (1) in a Change in Control in which consideration is received by the Company, the total cash and non-cash consideration, including debt assumed, received by the Company, net of any fees and expenses in connection with the transaction and (2) in a Change in Control in which consideration is payable to the stockholders of the Company, the total cash and non-cash consideration, including debt assumed, payable to the Company’s stockholders net of any fees and expenses in connection with the transaction. Enterprise Value also includes any cash or non-cash consideration payable to the Company or to the Company’s stockholders on a contingent, earnout or deferred basis.

#### Director Compensation

The following table sets forth summary information concerning the total compensation paid to our non-employee directors in 2013 for services to our company.

Name	Fees Earned or Paid in Cash (\$)	Option Awards (\$)	Total (\$)
Stuart Davidson	\$ 25,000	\$ 88,088	\$ 113,088
Patrick Grace	\$ 25,000	\$ 93,960	\$ 118,960
Donald Landry	\$ 25,000	\$ 82,215	\$ 107,215
Ernest Mario	\$ 25,000	\$ 82,215	\$ 107,215
Charles Mather IV	\$ 25,000	\$ 82,215	\$ 107,215
John Rhodes	\$ 25,000	\$ 88,088	\$ 113,088
Samuel Saks	\$ 25,000	\$ 82,215	\$ 107,215
<b>Total:</b>	<u>\$ 175,000</u>	<u>\$ 598,995</u>	<u>\$ 773,995</u>

#### COMPENSATION CONSULTANTS

Since April 2012, the Compensation Committee has retained Grant Thornton LLP (“GT”) as its executive compensation consultant. Retained by and reporting directly to the Compensation Committee, GT has provided the Committee with assistance in evaluating Tonix’s executive compensation programs and policies, and, where appropriate, has assisted with the redesign and enhancement of elements of the programs. The scope of GT’s assignments in fiscal 2013 included:

- Review of long-term incentive program design and assistance with determination of awards;
- Provision of external perspective on executive compensation, including development of key trends reports regarding executive compensation, evolving best practices and relevant regulatory changes;
- Review of the total compensation program, including competitive peer group comparisons and analysis, and analysis of executive benchmark positions and competitive levels in relation to broader market survey data, and assessment of annual NEO pay and performance relationship versus the peer group; and
- Periodic compensation consulting at the request of the Compensation Committee and management.

GT also advises the Compensation Committee with respect to non-employee director compensation. At the Compensation Committee’s request, GT has provided data regarding the amounts and type of compensation paid to non-employee directors at the companies in Tonix’s peer group, and has also identified trends in director compensation. All decisions regarding non-employee director compensation are recommended by the Compensation Committee and approved by the Board of Directors. In addition to providing background information and written materials, GT representatives attend meetings at which the Committee believes that their expertise would be beneficial to the Committee’s discussions.





In addition, in fiscal 2014 through the date of the proxy statement, GT has advised the Compensation Committee on executive and non-executive director compensation as well as Tonix's 2014 Plan and 2014 ESPP. Tonix expects GT to provide additional services to Tonix during the remainder of fiscal 2014. The Compensation Committee has determined GT to be independent from the company and that no conflicts of interest exist related to GT's services provided to the Compensation Committee.

#### **CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS**

Other than as disclosed below, during the last two fiscal years, there have been no transactions, or proposed transactions, which have materially affected or will materially affect us in which any director, executive officer or beneficial holder of more than 5% of the outstanding common, or any of their respective relatives, spouses, associates or affiliates, has had or will have any direct or material indirect interest. We have no policy regarding entering into transactions with affiliated parties.

On June 4, 2010, Tonix Sub entered into a consulting agreement with Lederman & Co, of which our Chairman, CEO and President Seth Lederman is the Managing Member. Pursuant to this agreement, Lederman & Co shall provide clinical development, strategic, management and operational consulting services. In exchange for its services, Tonix Sub shall pay Lederman & Co compensation of \$250,000 per annum and issued to Lederman & Co 261,784 shares of its common stock, 20% of which vested on the date of the agreement and the remainder vesting in equal amounts on each of the first, second, third and fourth anniversaries of the date of the agreement. On August 1, 2011, the cash compensation was reduced to \$127,000 per annum. On February 1, 2012, the cash compensation was increased to \$250,000 per annum. Immediately prior to the Share Exchange, the unvested shares of common stock vested.

On June 4, 2010, Tonix Sub entered into a consulting agreement with L&L, of which our Chairman, CEO and President Seth Lederman is the Manager. Pursuant to this agreement, L&L shall provide scientific and medical consulting services. In exchange for its services, Tonix Sub shall pay L&L compensation of \$96,000 per annum, or such greater amount as the Board may designate from time to time, and issued to L&L 1,026,194 shares of its common stock, 25% of which vested on the date of the agreement and the remainder vesting in equal amounts on each of the first, second and third anniversaries of the date of the agreement. Immediately prior to the Share Exchange, the unvested shares of common stock vested.

On July 31, 2013, we sold a promissory note in the principal face amount of \$150,000 to Lederman & Co., LLC in exchange for \$150,000. The note is payable on demand at any time after one year from issuance and bears no interest.

On July 31, 2013, we sold a promissory note in the principal face amount of \$50,000 to Eli Lederman in exchange for \$50,000. The note is payable on demand at any time after one year from issuance and bears no interest.

On August 1, 2013, we sold a promissory note in the principal face amount of \$80,000 to Lederman & Co., LLC in exchange for \$80,000. The note is payable on demand at any time after one year from issuance and bears no interest.

On March 18, 2014, we, through our wholly owned subsidiary, Tonix Pharmaceuticals (Barbados) Ltd, entered into an asset purchase agreement (the "Starling Agreement") with Starling Pharmaceuticals, Inc. ("Starling") and an asset purchase agreement (the "Leder Agreement" and together with the Starling Agreement, the "Agreements") with Leder Laboratories, Inc. ("Leder"). Seth Lederman, our Chairman and Chief Executive Officer, is the Chairman, CEO and majority owner (through majority-owned entities) of Starling and Leder.

Pursuant to the Starling Agreement, we acquired from Starling rights to a United States patent application for radio- and chemo-protective agents and related intellectual property rights, in exchange for \$125,000 and 25,000 shares of our common stock. Pursuant to the Leder Agreement, we acquired from Leder rights to a United States patent application for novel smallpox vaccines and related intellectual property rights, in exchange for \$125,000 and 25,000 shares of our common stock.

#### **PROPOSALS OF SHAREHOLDERS FOR THE 2015 ANNUAL MEETING**

If you want to submit a proposal for inclusion in our proxy statement for the 2015 Annual Meeting of shareholders, you may do so by following the procedures in Rule 14a-8 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). To be eligible for inclusion, shareholder proposals (other than nominees for directors) must be received at the Company's principal executive office, at the following address: 509 Madison Avenue, Suite 306, New York, New York 10022, Attention: Secretary, no later than January 8, 2015 (120 days before the anniversary of this year's mailing date).

Under Rule 14a-4 promulgated under the Exchange Act, if a proponent of a proposal that is not intended to be included in the proxy statement fails to notify us of such proposal at least 45 days prior to the anniversary of the mailing date of the preceding year's proxy statement, then we will be allowed to use our discretionary voting authority under proxies solicited by us when the proposal is raised at such Annual Meeting of shareholders, without any discussion of the matter in the proxy statement. We were not notified of any shareholder proposals to be addressed at our Annual Meeting, and will therefore be allowed to use our discretionary voting authority if any shareholder proposals are raised at the Annual Meeting.

In addition, our Amended and Restated Bylaws contain an advance notice provision that requires that all business proposed by a shareholder that will be conducted or considered at a meeting must meet notice requirements. For business to be properly submitted by a shareholder for a vote at an Annual Meeting, the shareholder must (i) be a shareholder of record as of the record date for the meeting, (ii) be entitled to vote at the meeting, and (iii) have given timely notice in writing of the proposal to be submitted by the shareholder for a vote. The shareholder's notice must be delivered to the Secretary at the Company's principal executive office. To be timely, a shareholder's notice must be received by the Secretary at least 60 calendar days before the date corresponding to the date for the annual meeting in the preceding year, and no more than 90 calendar days before that date; provided, however, if the date of the annual meeting is changed by more than 30 calendar days from the date corresponding to the date of the preceding year's Annual Meeting, or if we did not hold an annual meeting in the preceding year, then the shareholder's notice will be considered timely if it is received by the Secretary at least (a) 60 calendar days before the date for the annual meeting to be held or 10 calendar days following the date on which public announcement of the date for the annual meeting is first made by the Company, and (b) no more than 90 calendar days before the date for the Annual Meeting.

A shareholder's notice to the Secretary must set forth as to each matter the shareholder proposes to bring before the annual meeting: (i) a description in reasonable detail of the business desired to be brought before the annual meeting and the reasons for conducting such business at the annual meeting, (ii) the name and address, as they appear on the Company's books, of the shareholder proposing such business and of the beneficial owner, if any, on whose behalf the proposal is made, (iii) such information regarding each director nominee or each matter of business to be proposed by such shareholder as would be required to be included in a proxy statement filed pursuant to the proxy rules of the U. S. Securities and Exchange Commission, or the SEC, had the nominee been nominated, or intended to be nominated, or the matter been proposed, or intended to be proposed by the Company's Board of Directors; (iv) if applicable, the consent of each nominee to be named in the proxy statement and to serve as director of the Company if so elected; (v) the class and number of shares of the Company that are owned beneficially and of record by the shareholder proposing such business and by the beneficial owner, if any, on whose behalf the proposal is made, and (vi) any material interest of such shareholder proposing such business and the beneficial owner, if any, on whose behalf the proposal is made in such business.

#### **OTHER BUSINESS**

The Board of Directors knows of no business to be brought before the Annual Meeting other than as set forth above. If other matters properly come before the shareholders at the meeting, it is the intention of the persons named on the proxy to vote the shares represented thereby on such matters in accordance with their judgment.

By Order of the Board of Directors,

/s/ SETH LEDERMAN

*Seth Lederman*

*Chief Executive Officer and Chairman of the Board of Directors*

New York, New York

May 2, 2014

## Annex A

### TONIX PHARMACEUTICALS HOLDING CORP. 2014 STOCK INCENTIVE PLAN (effective June 9, 2014, subject to stockholder approval)

#### 1 General

1.1 **Purpose.** The purposes of the Tonix Pharmaceuticals Holding Corp. 2014 Stock Incentive Plan (the “Plan”) is to promote the interests of Tonix Pharmaceuticals Holding Corp. (the “Company”) and the stockholders of the Company by providing (i) executive officers and other employees of the Company and its Subsidiaries (as defined below), (ii) certain advisors who perform services for the Company and its Subsidiaries and (iii) non-employee members of the Board of Directors of the Company (the “Board”) with appropriate incentives and rewards to encourage them to enter into and continue in the employ and service of the Company and to acquire a proprietary interest in the long-term success of the Company, as well as to reward the performance of these individuals in fulfilling their personal responsibilities for long-range and annual achievements.

1.2 **Effective Date and Term.** The Plan will become effective upon the date it is approved by the stockholders of the Company (the “Effective Date”). Unless terminated earlier by the Committee, the Plan will expire on the tenth (10<sup>th</sup>) anniversary of the Effective Date.

1.3 **Definitions.** Capitalized terms in the Plan, unless defined elsewhere in the Plan, shall be defined as set forth below:

**162(m) Term.** The term “162(m) Term” means the period starting on the date when the Company’s stockholders first approve this Plan and ending on the date of the first meeting of the Company’s stockholders that occurs in the fifth year following the year in which the Company’s stockholders first approve this Plan.

**1934 Act.** The term “1934 Act” shall mean the Securities Exchange Act of 1934, as amended, including the rules and regulations promulgated thereunder and any successor thereto.

**Affiliated Company.** The term “Affiliated Company” means any company, partnership, association, organization or other entity controlled by, controlling or under common control with the Company.

**Award.** The term “Award” means any award or benefit granted under the Plan, including, without limitation, Options, SARs, Restricted Stock, Restricted Stock Units, Other Stock-Based Awards and Cash-Based Awards.

**Award Agreement.** The term “Award Agreement” means a written Award grant agreement under the Plan.

**Cash-Based Award.** The term “Cash-Based Award” means a right or other interest granted to an Eligible Grantee under Section 4.2(vi) of the Plan that may be denominated or payable in cash, other than an Award pursuant to which the amount of cash is determined by reference to the value of a specific number of shares of Stock. For the avoidance of doubt, dividend equivalents constitute Cash-Based Awards.

**Change of Control.** The term “Change of Control” shall be deemed to occur if and when:

- (i) any person, including a “person” as such term is used in Section 14(d)(2) of the 1934 Act (a “Person”), is or becomes a beneficial owner (as such term is defined in Rule 13d-3 under the 1934 Act), directly or indirectly, of securities of the Company representing 50% or more of the combined voting power of the Company’s then outstanding securities;
- (ii) individuals who, as of the Effective Date, constitute the Board (the “Incumbent Board”) cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the Effective Date whose election, or nomination for election by the Company’s stockholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding for this purpose any such individual whose initial assumption of office occurs as a result of either an actual or threatened election contest (as such terms are used in Rule 14a-11 of Regulation 14A promulgated under the 1934 Act) or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board;
- (iii) all or substantially all of the assets of the Company are sold, transferred or distributed, or the Company is dissolved or liquidated; or
- (iv) a reorganization, merger, consolidation or other corporate transaction involving the Company (a “Transaction”) is consummated, in each case, with respect to which the stockholders of the Company immediately prior to such Transaction do not, immediately after the Transaction, own more than 50% of the combined voting power of the Company or other corporation resulting from such Transaction in substantially the same respective proportions as such stockholders’ ownership of the voting power of the Company immediately before such Transaction.



Notwithstanding the foregoing or any other provision of this Plan, the term Change of Control shall not include a sale of assets, merger or other transaction effected exclusively for the purpose of changing the domicile of the Company.

**Code.** The term “Code” means the Internal Revenue Code of 1986, as amended. A reference to any provision of the Code shall include reference to any successor provision of the Code.

**Committee.** The term “Committee” means the committee of the Board described in Section 2 hereof and any sub-committee established by such Committee pursuant to Section 2.4.

**Covered Employee.** The term “Covered Employee” means an Employee who is, or who is anticipated to become, between the time of grant and payment of the Award, a “covered employee,” as such term is defined in Section 162(m)(3) of the Code (or any successor section thereof).

**Disability.** The term “Disability” means “Disability” as defined in any Award Agreement to which the Grantee is a party.

**Eligible Grantee.** The term “Eligible Grantee” shall mean any Employee, Non-Employee Director or Key Advisor, as determined by the Committee in its sole discretion.

**Employee.** The term “Employee” means an active employee of the Company or a Subsidiary, but excluding any person who is classified by the Company or a Subsidiary as a “contractor” or “consultant,” no matter how characterized by the Internal Revenue Service, other governmental agency or a court, or any employee who is not actively employed, as determined by the Committee. Any change of characterization of an individual by the Internal Revenue Service or any court or government agency shall have no effect upon the classification of an individual as an Employee for purposes of this Plan, unless the Committee determines otherwise.

**Fair Market Value.** For purposes of determining the “Fair Market Value” of a share of Stock as of any date, the “Fair Market Value” as of that date shall be, unless otherwise determined by the Committee, the closing sale price during regular trading hours of the Stock on the immediately preceding date on the principal securities market in which shares of Stock is then traded; or, if there were no trades on that date, the closing sale price during regular trading hours of the Stock on the first trading day prior to that date. If the Stock is not publicly traded at the time a determination of Fair Market Value is required to be made hereunder, the determination of such amount shall be made by the Committee in such manner as it deems appropriate.

**Grantee.** The term “Grantee” means an Employee, Non-Employee Director or Key Advisor of the Company or a Subsidiary who has been granted an Award under the Plan.

**ISO.** The term “ISO” means any Option intended to be and designated as an incentive stock option within the meaning of Section 422 of the Code.

**Key Advisor.** The term “Key Advisor” means a consultant or other key advisor who performs services for the Company or a Subsidiary.

**Non-Employee Director.** The term “Non-Employee Director” means a member of the Board who is not an Employee.

**NQSO.** The term “NQSO” means any Option that is not designated as an ISO, or which is designated by the Committee as an ISO but which subsequently fails or ceases to qualify as an ISO.

**Option.** The term “Option” means a right, granted to an Eligible Grantee under Section 4.2(i), to purchase shares of Stock. An Option may be either an ISO or an NQSO.

**Other Stock-Based Award.** The term “Other Stock-Based Award” means a right or other interest granted to an Eligible Grantee under Section 4.2(v) of the Plan that may be denominated or payable in, valued in whole or in part by reference to, or otherwise based on, or related to, Stock, including but not limited to (i) unrestricted Stock awarded as a bonus or upon the attainment of Performance Goals or otherwise as permitted under the Plan, and (ii) a right granted to an Eligible Grantee to acquire Stock from the Company containing terms and conditions prescribed by the Committee.

**Performance Goals.** The term “Performance Goals” means performance goals based on the attainment by the Company or any Subsidiary of the Company or any Affiliated Company (or any division or business unit of any such entity), or any two or more of the foregoing, of performance goals pre-established by the Committee in its sole discretion, based on one or more of the following criteria (if applicable, such criteria shall be determined in accordance with generally accepted accounting principles (“GAAP”) or based upon the Company’s GAAP financial statements): (i) the attainment of certain target levels of, or a specified percentage increase in, revenues, earnings, income before taxes and extraordinary items, net income, operating income, earnings before income tax, earnings before interest, taxes, depreciation and amortization or a combination of any or all of the foregoing; (ii) the attainment of certain target levels of, or a percentage increase in, after-tax or pre-tax profits including, without limitation, that attributable to continuing and/or other operations; (iii) the attainment of certain target levels of, or a specified increase in, operational cash flow; (iv) the achievement of a certain level of, reduction of, or other specified objectives with regard to limiting the level of increase in, all or a portion of, the Company’s bank debt or other long-term or short-term public or private debt or other similar financial obligations of the Company, which may be calculated net of such cash balances and/or other offsets and adjustments as may be established by the Committee; (v) earnings per share or the attainment of a specified percentage increase in earnings per share or earnings per share from continuing operations; (vi) the attainment of certain target levels of, or a specified increase in return on capital employed or return on invested capital; (vii) the attainment of certain target levels of, or a percentage increase in, after-tax or pre-tax return on stockholders’ equity; (viii) the attainment of certain target levels of, or a specified increase in, economic value added targets based on a cash flow return on investment formula; (ix) the attainment of certain target levels in, or specified increases in, the fair market value of the shares of the Company’s common stock; (x) the growth in the value of an investment in the Company’s common stock; (xi) the attainment of a certain level of, reduction of, or other specified objectives with regard to limiting the level in or increase in, all or a portion of controllable expenses or costs or other expenses or costs; (xii) gross or net sales, revenue and growth of sales revenue (either before or after cost of goods, selling and general administrative expenses, research and development expenses and any other expenses or interest); (xiii) total stockholder return; (xiv) return on assets or net assets; (xv) return on sales; (xvi) operating profit or net operating profit; (xvii) operating margin; (xviii) gross or net profit margin; (xix) cost reductions or savings; (xx) productivity; (xxi) operating efficiency; (xxii) working capital; or (xxiii) market share; (xxiv) customer satisfaction; (xxv) workforce diversity; (xxvi) results of clinical trials; (xxvii) acceptance of a new drug application by a regulatory body; (xxviii) regulatory body approval for commercialization of a product; (xxix) launch of a new drug; (xxx) completion of out-licensing, in-licensing or disposition of product candidates or other acquisition or disposition projects; and (xxxi) to the extent that an Award is not intended to comply with Section 162(m) of the Code, other measures of performance selected by the Board. Subject to the limitations in Section 4.2, the Committee in its sole discretion may designate additional business criteria on which the Performance Goals may be based or adjust, or modify or amend the aforementioned business criteria. The relative weights of the criteria that comprise the Performance Goals shall be determined by the Committee in its sole discretion. In establishing the Performance Goals for a performance period, the Committee may establish different Performance Goals for individual Grantees or groups of Grantees. Subject to the limitations in Section 4.2(ix)(d), the Committee in its sole discretion shall have the authority to make equitable adjustments to the Performance Goals in recognition of unusual or non-recurring events affecting the Company or any Subsidiary of the Company or any Affiliated Company or the financial statements of the Company or any Subsidiary of the Company or any Affiliated Company, in response to changes in applicable laws or regulations, including changes in generally accepted accounting principles or practices, or to account for items of gain, loss or expense determined to be extraordinary or unusual in nature or infrequent in occurrence or related to the disposal of a segment of a business, as applicable. Performance Goals may include a threshold level of performance below which no Award will be earned, a level of performance at which the target amount of an Award will be earned and a level of performance at which the maximum amount of the Award will be earned.

**Restricted Stock.** The term “Restricted Stock” means an Award of shares of Stock to an Eligible Grantee under Section 4.2(iii) that may be subject to certain restrictions and to a risk of forfeiture. Stock issued upon the exercise of Options or SARs is not “Restricted Stock” for purposes of the plan, even if subject to post-issuance transfer restrictions or forfeiture conditions. When Restricted Stock vests, it ceases to be “Restricted Stock” for purposes of the Plan.

**Restricted Stock Unit.** The term “Restricted Stock Unit” means a right granted to an Eligible Grantee under Section 4.2(iv) to receive Stock or cash at the end of a specified deferral period, which right may be conditioned on the satisfaction of specified performance or other criteria.

**Retirement.** The term “Retirement” means any termination of employment or service as an Employee, Non-Employee Director or Key Advisor as a result of retirement in good standing under the rules of the Company or a Subsidiary, as applicable, then in effect.

**Rule 16b-3.** The term “Rule 16b-3” means Rule 16b-3, as from time to time in effect promulgated by the Securities and Exchange Commission under Section 16 of the 1934 Act, including any successor to such Rule.

**Stock.** The term “Stock” means shares of the common stock, par value \$0.001 per share, of the Company.

**Stock Appreciation Right or SAR.** The term “Stock Appreciation Right” or “SAR” means the right, granted to an Eligible Grantee under Section 4.2(ii), to be paid an amount measured by the appreciation in the Fair Market Value of Stock from the date of grant to the date of exercise of the right.

**Subsidiary.** The term “Subsidiary” means any present or future subsidiary corporation of the Company within the meaning of Section 424(f) of the Code, and any present or future business venture designated by the Committee in which the Company has a significant interest, including, without limitation, any subsidiary corporation in which the Company has at least a 50% ownership interest, as determined in the discretion of the Committee.

## 2 Administration

2.1 **Committee.** The authority to manage the operation of and administer the Plan shall be vested in a committee (the "Committee") in accordance with this Section 2. The Committee shall be selected by the Board, and shall consist solely of two or more members of the Board who are non-employee directors within the meaning of Rule 16b-3 and are outside directors within the meaning of Code Section 162(m). Unless otherwise determined by the Board, the Company's Compensation Committee shall be designated as the "Committee" hereunder.

2.2 **Powers of the Committee.** The Committee's administration of the Plan shall be subject to the following:

- (i) Subject to the provisions of the Plan, the Committee will have the authority and discretion to select from among the Eligible Grantees those persons who shall receive Awards, to determine the time or times of receipt, to determine the types of Awards and the number of shares covered by the Awards, and to establish the terms, conditions, performance criteria, restrictions, and other provisions of such Awards;
- (ii) The Committee will have the authority and discretion to interpret the Plan, to establish, amend, and rescind any rules and regulations relating to the Plan, to determine the terms and provisions of any Award Agreement made pursuant to the Plan, and to make all other determinations that may be necessary or advisable for the administration of the Plan;
- (iii) Any interpretation of the Plan by the Committee and any decision made by it under the Plan is final and binding on all persons; and
- (iv) In managing the operation of and administering the Plan, the Committee shall take action in a manner that conforms to the articles of incorporation and by-laws of the Company, and applicable state corporate law.

2.3 **Prohibition Against Repricing.** Notwithstanding any provision of the Plan to the contrary, in no event shall any action be taken under the Plan that constitutes a Repricing of any Option or SAR granted under the Plan, or of any option or stock appreciation right granted under the any other plan of the Company or of an acquired company, except with approval of the stockholders of the Company.

2.4 **Delegation of Authority.** To the extent not inconsistent with applicable law, the rules of the NASDAQ Stock Market or other provisions of the Plan, the Committee may, at any time, allocate all or any portion of its responsibilities and powers to any one or more of its members or, with respect to Awards made to Employees other than executive officers, the Chief Executive Officer, including without limitation, the power to designate Grantees hereunder and determine the amount, timing and terms of Awards hereunder. Any such allocation or delegation may be revoked by the Committee at any time.

2.5 **Indemnification.** Each person who is or shall have been a member of the Committee, or the Board, shall be indemnified and held harmless by the Company against and from any loss, cost, liability or expense that may be imposed upon or reasonably incurred by him or her in connection with or resulting from any claim, action, suit or proceeding to which he or she may be a party or in which he or she may be involved by reason of any action taken in good faith or failure to act in good faith under the Plan and against and from any and all amounts paid by him or her in settlement thereof, with the Company's approval, or paid by him or her in satisfaction of any judgment in any such action, suit or proceeding against him or her, provided he or she shall give the Company an opportunity, at its own expense, to handle and defend the same before he or she undertakes to handle and defend it on his or her own behalf. The foregoing right of indemnification shall be in addition to any other rights of indemnification or elimination of liability to which such persons may be entitled under the Company's articles of incorporation or by-laws, as a matter of law, or otherwise, or any power that the Company may have to indemnify them or hold them harmless.

## 3 Available Shares of Stock Under the Plan

3.1 **Shares Available for Awards.** Subject to the adjustments described below, the maximum number of shares of Stock reserved for the grant of Awards under the Plan shall be 1,800,000. Of the maximum number of shares of Stock reserved for the grant of Awards under the Plan, no more than 200,000 of such shares may be issued pursuant to stock-settled Awards other than Options (that is, Restricted Stock, Restricted Stock Units, SARs, Performance Awards, Other Stock-Based Awards and dividend equivalent Awards, in each case to the extent settled in shares of Common Stock).

3.2 **Forfeited, Cancelled and Expired Awards.** Awards granted under the Plan that are forfeited, expire or are canceled or settled without issuance of Stock shall not count against the maximum number of shares that may be issued under the Plan as set forth in Section 3.1 and shall be available for future Awards under the Plan. Notwithstanding the foregoing, any and all Stock that is (i) withheld or tendered in payment of an Option exercise price; (ii) withheld by the Company to satisfy any tax withholding obligation; (iii) covered by a SAR (to the extent that it is settled in Stock, without regard to the number of shares of Stock that are actually issued to the Grantee upon exercise); (iv) withheld by the Company to satisfy any debt or other obligation owed to the Company or any Subsidiary, and (v) any fractional shares of Common Stock that are cancelled pursuant to the Plan, shall be considered issued pursuant to the Plan and shall not be added to the maximum number of shares of Stock that may be issued under the Plan as set forth in Section 3.1.



3.3 **Adjustments.** In the event of any change in the Company's capital structure, including but not limited to a change in the number of shares of Stock outstanding, on account of (i) any stock dividend, stock split, reverse stock split or any similar equity restructuring, or (ii) any combination or exchange of equity securities, merger, consolidation, recapitalization, reorganization, or divestiture or any other similar event affecting the Company's capital structure, to reflect such change in the Company's capital structure, the Committee shall make appropriate equitable adjustments to the maximum number of shares of Stock that may be issued under the Plan as set forth in Section 3.1. In the event of any extraordinary dividend, divestiture or other distribution (other than ordinary cash dividends) of assets to stockholders, or any transaction or event described above, to the extent necessary to prevent the enlargement or diminution of the rights of Grantees, the Committee shall make appropriate equitable adjustments to the number or kind of shares subject to an outstanding Award, the exercise price applicable to an outstanding Award, and/or a Performance Goals. Any adjustments under this Section 3.3 shall be consistent with Section 409A or 424 of the Code, to the extent applicable, and made in a manner that does not adversely affect the exemption provided pursuant to Rule 16b-3 or qualification under Section 162(m) of the Code, to the extent each may be applicable. The Company shall give each Grantee notice of an adjustment to an Award hereunder and, upon notice, such adjustment shall be final, binding and conclusive for all purposes. Notwithstanding the foregoing, the Committee shall decline to adjust any Award made to a Participant if such adjustment would violate applicable law.

3.4 **Fractional Shares.** The Company shall not be obligated to issue any fractional shares of Stock in settlement of Awards granted under the Plan. Except as otherwise provided in an Award Agreement or determined by the Committee, (i) the total number of shares issuable pursuant to the exercise, vesting or earning of an Award shall be rounded down to the nearest whole share, and (ii) no fractional shares shall be issued. The Committee may, in its discretion, determine that a fractional share shall be settled in cash.

## 4 Awards

4.1 **General.** The term of each Award shall be for such period as may be determined by the Committee, subject to the limitations set forth below. Subject to the terms of the Plan and any applicable Award Agreement, payments to be made by the Company or any Subsidiary of the Company upon the grant, maturation, or exercise of an Award may be made in such forms as the Committee shall determine at the date of grant or thereafter, including, without limitation, cash, Stock, or other property. In addition to the foregoing, the Committee may impose on any Award or the exercise thereof, at the date of grant, such additional terms and conditions not inconsistent with the provisions of the Plan, including, but not limited to forfeiture and clawback provisions, as the Committee shall determine; provided, however, that any such terms and conditions shall not be inconsistent with Section 409A of the Code.

4.2 **Types of Awards.** The Committee is authorized to grant the Awards described in this Section 4.2, under such terms and conditions as deemed by the Committee to be consistent with the purposes of the Plan. Such Awards may be granted with value and payment contingent upon Performance Goals. Each Award shall be evidenced by an Award Agreement containing such terms and conditions applicable to such Award as the Committee shall determine.

- (i) **Options.** The Committee is authorized to grant Options to Grantees on the following terms and conditions:
- a. **Type of Award.** The Award Agreement evidencing an Option shall designate the Option as either an ISO or an NQSO, as determined in the discretion of the Committee. At the time of the grant of Options, the Committee may place restrictions on the exercisability or vesting of Options that shall lapse, in whole or in part, upon the attainment of Performance Goals; provided that such Performance Goals shall relate to periods of performance of at least one fiscal year.
  - b. **Exercise Price.** The exercise price of each Option granted under this Section 4.2 shall be established by the Committee or shall be determined by a method established by the Committee at the time the Option is granted; provided, however, that the exercise price shall not be less than 100% of the Fair Market Value of a share of Stock on the date of grant of the Award. No dividends or dividend equivalents will be paid on shares of Stock subject to an Option.
  - c. **Exercise.** Upon satisfaction of the applicable conditions relating to vesting and exercisability, as determined by the Committee and set forth in the Award Agreement, and upon provision for the payment in full of the exercise price and applicable taxes due, the Grantee shall be entitled to exercise the Option and receive the number of shares of Stock issuable in connection with the Option exercise provided, however, that no Option may be exercised more than ten years after its grant date. Except as set forth in Section 4.3, no NQSO granted hereunder may be exercised after the earlier of (A) the expiration of the NQSO or (B) unless otherwise provided by the Committee in an Award Agreement, ninety days after the severance of an NQSO holder's employment or service with the Company or any Subsidiary. The shares issued in connection with the Option exercise may be subject to such conditions and restrictions as the Committee may determine, from time to time. An Option may be exercised by any method as may be permitted by the Committee from time to time, including but not limited to any "net exercise" or other "cashless" exercise method.

- d. Restrictions Relating to ISOs. In addition to being subject to the terms and conditions of this Section 4.2(i), ISOs shall comply with all other requirements under Section 422 of the Code. Accordingly, ISOs may be granted only to Eligible Grantees who are employees (as described in Treasury Regulation Section 1.421-7(h)) of the Company or of any "Parent Corporation" (as defined in Code Section 424(e)) or of any "Subsidiary Corporation" (as defined in Code Section 424(f)) on the date of grant. The aggregate Fair Market Value (determined as of the time the ISO is granted) of the Stock with respect to which ISOs (under all option plans of the Company and of any Parent Corporation and of any Subsidiary Corporation) are exercisable for the first time by an Eligible Grantee during any calendar year shall not exceed \$100,000. ISOs shall not be transferable by the Eligible Grantee otherwise than by will or the laws of descent and distribution and shall be exercisable, during the Eligible Grantee's lifetime, only by such Eligible Grantee. The Committee shall not grant ISOs to any Employee who, at the time the ISO is granted, owns stock possessing (after the application of the attribution rules of Section 424(d) of the Code) more than ten percent (10%) of the total combined voting stock of the Company or of any Parent Corporation or of any Subsidiary Corporation, unless the exercise price of the ISO is fixed at not less than one hundred and ten percent (110%) of the Fair Market Value of a share of Common Stock on the date of grant and the exercise of such ISO is prohibited by its terms after the fifth (5th) anniversary of the ISO's date of grant. In addition, no ISO shall be issued to an Eligible Grantee in tandem with a NQSO issued to such Eligible Grantee in accordance with Treasury Regulation Section 14a.422A-1, Q/A-39.
- (ii) SARs. The Committee is authorized to grant SARs to Grantees on the following terms and conditions:
- a. In General. SARs may be granted independently or in tandem with an Option at the time of grant of the related Option. An SAR granted in tandem with an Option shall be exercisable only to the extent the underlying Option is exercisable. Payment of an SAR may be made in cash, Stock, or a combination of the foregoing, as specified in the Award Agreement or determined in the sole discretion of the Committee. At the time of the grant of SARs, the Committee may place restrictions on the exercisability or vesting of SARs that shall lapse, in whole or in part, upon the attainment of Performance Goals; provided that such Performance Goals shall relate to periods of performance of at least one fiscal year.
- b. Term and Exercisability of SARs. SARs shall be exercisable over the exercise period at such times and upon such conditions as the Committee may determine, as reflected in the Award Agreement; provided, however, that no SAR may be exercised more than ten years after its grant date. Except as set forth in Section 4.3, no SAR granted hereunder may be exercised after the earlier of (A) the expiration of the SAR or (B) unless otherwise provided by the Committee in an Award Agreement, ninety days after the severance of an SAR holder's employment or service with the Company or any Subsidiary.
- c. Payment. An SAR shall confer on the Grantee a right to receive an amount with respect to each share of Stock subject thereto, upon exercise thereof, equal to the excess of (A) the Fair Market Value of one share of Stock on the date of exercise over (B) the grant price of the SAR (which in the case of an SAR granted in tandem with an Option shall be equal to the exercise price of the underlying Option, and which in the case of any other SAR shall be such price as the Committee may determine but in no event shall be less than the Fair Market Value of a share of Stock on the date of grant of such SAR). An SAR may be exercised by giving written notice of such exercise to the Committee or its designated agent. No dividends or dividend equivalents will be paid on shares of Stock subject to an SAR.
- (iii) Restricted Stock. The Committee is authorized to grant Restricted Stock to Grantees on the following terms and conditions:
- a. Issuance and Restrictions. Restricted Stock shall be subject to such restrictions on transferability and other restrictions, if any, as the Committee may impose at the date of grant, which restrictions may lapse separately or in combination at such times, under such circumstances, in such installments, or otherwise, as the Committee may determine. The Committee may place restrictions on Restricted Stock that shall lapse, in whole or in part, upon the attainment of Performance Goals; provided that such Performance Goals shall relate to periods of performance of at least one fiscal year. Except to the extent restricted under the Award Agreement relating to the Restricted Stock, a Grantee granted Restricted Stock shall have all of the rights of a stockholder including, without limitation, the right to vote Restricted Stock and the right to receive dividends thereon.
- b. Certificates for Stock. Restricted Stock granted under the Plan may be evidenced in such manner as the Committee shall determine. If certificates representing Restricted Stock are registered in the name of the Grantee, such certificates shall bear an appropriate legend referring to the terms, conditions, and restrictions applicable to such Restricted Stock, and the Company may retain physical possession of the certificate.
- c. Dividends. Except to the extent restricted under the applicable Award Agreement, cash dividends paid on Restricted Stock shall be paid at the dividend payment date subject to no restriction. Unless otherwise determined by the Committee, Stock distributed in connection with a stock split or stock dividend shall be subject to the transfer restrictions, forfeiture risks and vesting conditions to the same extent as the Restricted Stock with respect to which such Stock or other property has been distributed. Notwithstanding the foregoing, the Committee may not provide for the current payment of dividends for Restricted Stock subject to Performance Goals; for such Awards, dividends may accrue but shall not be payable unless and until the Award vests upon satisfaction of the applicable Performance Goals and all other applicable conditions to vesting.

- (iv) *Restricted Stock Units.* The Committee is authorized to grant Restricted Stock Units to Grantees, subject to the following terms and conditions:
- a. Conditions to Vesting. At the time of the grant of Restricted Stock Units, the Committee may place restrictions on Restricted Stock Units that shall lapse, in whole or in part, upon the attainment of Performance Goals; provided that such Performance Goals shall relate to periods of performance of at least one fiscal year.
  - b. Benefit Upon Vesting. Unless otherwise provided in an Award Agreement, upon the vesting of a Restricted Stock Unit, there shall be delivered to the Grantee, within 30 days of the date on which such Award (or any portion thereof) vests, the number of shares of Stock equal to the number of Restricted Stock Units becoming so vested.
  - c. Dividend Equivalents. To the extent provided in an Award Agreement, subject to the requirements of Section 409A of the Code, an Award of Restricted Stock Units may provide the Grantee with the right to receive dividend equivalent payments with respect to Stock subject to the Award (both before and after the Stock subject to the Award is earned, vested, or acquired), which payments may be either made currently or credited to an account for the Grantee, and may be settled in cash or Stock, as determined by the Committee. Any such settlements and any such crediting of dividend equivalents may, at the time of grant of the Restricted Stock Unit, be made subject to the transfer restrictions, forfeiture risks, vesting and conditions of the Restricted Stock Units and subject to such other conditions, restrictions and contingencies as the Committee shall establish at the time of grant of the Restricted Stock Unit, including the reinvestment of such credited amounts in Stock equivalents, provided that all such conditions, restrictions and contingencies shall comply with the requirements of Section 409A of the Code. Notwithstanding the foregoing in this Section 4.2(iv)(c), dividend equivalents may accrue on unearned Restricted Stock Units subject to Performance Goals but shall not be payable unless and until the applicable Performance Goals are met and certified.
- (v) *Other Stock-Based Awards.* The Committee is authorized to grant Awards to Grantees in the form of Other Stock-Based Awards, as deemed by the Committee to be consistent with the purposes of the Plan. At the time of the grant of Other Stock-Based Awards, the Committee may place restrictions on the payout or vesting of Other Stock-Based Awards that shall lapse, in whole or in part, upon the attainment of Performance Goals; provided that such Performance Goals shall relate to periods of performance of at least one fiscal year. The Committee shall determine the terms and conditions of such Awards at the date of grant. Other Stock-Based Awards may not be granted with the right to receive dividend equivalent payments.
- (vi) *Cash-Based Awards.* The Committee is authorized to grant Awards to Grantees in the form of Cash-Based Awards, as deemed by the Committee to be consistent with the purposes of the Plan. At the time of the grant of Cash-Based Awards, the Committee may place restrictions on the payout or vesting of Cash-Based Awards that shall lapse, in whole or in part, upon the attainment of Performance Goals. The Committee shall determine the terms and conditions of such Awards at the date of grant.
- (vii) *Settlement of Options and SARs.* Shares of Stock delivered pursuant to the exercise of an Option or SAR shall be subject to such conditions, restrictions and contingencies as the Committee may establish in the applicable Award Agreement. Settlement of SARs may be made in shares of Stock (valued at their Fair Market Value at the time of exercise), in cash, or in a combination thereof, as determined in the discretion of the Committee and set forth in the Award Agreement. The Committee, in its discretion, may impose such conditions, restrictions and contingencies with respect to shares of Stock acquired pursuant to the exercise of an Option or an SAR as the Committee determines to be desirable.
- (viii) *Vesting; Additional Terms.* Except as set forth in Section 4.3, other than Options, SARs, Restricted Stock, Restricted Stock Units or Other Stock-Based Awards conditioned upon the attainment of Performance Goals that relate to performance periods of at least one fiscal year, Options, SARs, Restricted Stock, Restricted Stock Units or Other Stock-Based Awards granted hereunder shall vest as determined by the Committee and set forth in the Award Agreement. The term of any Award granted under the Plan will not exceed ten years from the date of grant.
- (ix) *Qualified Performance-Based Compensation.*
- a. The Committee may determine that Restricted Stock, Restricted Stock Units, Other Stock-Based Awards or Cash-Based Awards granted to a Covered Employee shall be considered “qualified performance-based compensation” under section 162(m) of the Code, in which case the provisions of this Section 4.2(ix) shall apply. As required pursuant to Section 162(m) of the Code and the regulations promulgated thereunder, the Committee’s authority to grant new awards that are intended to qualify as performance-based compensation within the meaning of Section 162(m) of the Code (other than qualifying Options and qualifying SARs) shall terminate upon the first meeting of the Company’s stockholders that occurs in the fifth year following the year in which the Company’s stockholders first approve this Plan.

- b. When Awards are made under this Section 4.2(ix), the Committee shall establish in writing (i) the objective Performance Goals that must be met, (ii) the period during which performance will be measured, (iii) the maximum amounts that may be paid if the Performance Goals are met, and (iv) any other conditions that the Committee deems appropriate and consistent with the requirements of Section 162(m) of the Code for “qualified performance-based compensation.” The Performance Goals shall satisfy the requirements for “qualified performance-based compensation,” including the requirement that the achievement of the goals be substantially uncertain at the time they are established and that the Performance Goals be established in such a way that a third party with knowledge of the relevant facts could determine whether and to what extent the Performance Goals have been met. The Committee shall not have discretion to increase the amount of compensation that is payable, but may reduce the amount of compensation that is payable, pursuant to Awards identified by the Committee as “qualified performance-based compensation.”
- c. Performance Goals must be pre-established by the Committee. A Performance Goal is considered pre-established if it is established in writing not later than 90 days after the commencement of the period of service to which the Performance Goal relates, provided that the outcome is substantially uncertain at the time the Committee actually established the goal. However, in no event will a Performance Goal be considered pre-established if it is established after 25% of the period of service (as scheduled in good faith at the time the goal is established) has elapsed.
- d. The Committee in its sole discretion shall have the authority to make equitable adjustments to the Performance Goals in recognition of unusual or non-recurring events affecting the Company or any Subsidiary of the Company or any Affiliated Company or the financial statements of the Company or any Subsidiary of the Company or any Affiliated Company, in response to changes in applicable laws or regulations, including changes in generally accepted accounting principles or practices, or to account for items of gain, loss or expense determined to be extraordinary or unusual in nature or infrequent in occurrence or related to the disposal of a segment of a business, as applicable, provided such adjustment occurs in writing not later than 90 days after the commencement of the period of service to which the Performance Goal relates (and in no event later than the date that 25% of the period of service has elapsed). In addition, the Committee may specify that certain equitable adjustments to the Performance Goals will be made during the applicable Performance Period, provided such specification occurs in writing not later than 90 days after the commencement of the period of service to which the Performance Goal relates (and in no event later than the date that 25% of the period of service has elapsed).
- e. The Committee shall certify the performance results for the performance period specified in the Award Agreement after the performance period ends. The Committee shall determine the amount, if any, to be paid pursuant to each Award based on the achievement of the Performance Goals and the satisfaction of all other terms of the Award Agreement. Subject to the provisions of Section 3.3 relating to capitalization adjustments, at such time as the Company may be subject to the applicable provisions of Section 162(m) of the Code, a maximum of 350,000 shares of Stock subject to qualified performance-based compensation may be granted to any Eligible Grantee during any calendar year during the 162(m) Term.
- f. The Committee may provide in the Award Agreement that Awards under this Section 4.2(ix) shall be payable, in whole or in part, in the event of the Grantee’s death or Disability, or under other circumstances consistent with the Treasury regulations and rulings under Section 162(m) of the Code.

#### 4.3 **Change of Control of the Company.**

- (i) The Committee may, at the time an Award is made or at any time prior to, coincident with or after the time of a Change of Control:
  - a. provide for the adjustment of any Performance Goals as the Committee deems necessary or appropriate to reflect the Change of Control;
  - b. provide for the cancellation of any Awards then outstanding if the surviving entity or acquiring entity (or the surviving or acquiring entity’s parent company) in the Change of Control replaces the Awards with new rights of substantially equivalent value, as determined by the Committee;
  - c. provide that upon an involuntary termination of a Participant’s employment as a result of a Change of Control, any time periods shall accelerate, and any other conditions relating to the vesting, exercise, payment or distribution of an Award shall be waived; or
  - d. provide that Awards shall be purchased for an amount of cash equal to the amount that could have been obtained for the shares covered by a Restricted Stock Award if it had been vested and or by an Option or SAR if it had been exercised at the time of the Change of Control.
- (ii) Notwithstanding any other provisions of the Plan or an Award Agreement to the contrary, the vesting, payment, purchase or distribution of an Award may not be accelerated by reason of a Change of Control for any Grantee unless the Grantee’s employment is involuntarily terminated as a result of the Change of Control as provided in the Award Agreement or in any other written agreement, including an employment agreement, between us and the Grantee.

## 5 Operation

5.1 **Duration.** Grants may be made under the Plan through June 9, 2024. In the event of Plan termination while Awards remain outstanding, the Plan shall remain in effect as long as any Awards under it are outstanding, although no further grants may be made following Plan termination.

5.2 **Uncertificated Stock.** Nothing contained in the Plan shall prohibit the issuance of Stock on an uncertificated basis, to the extent allowed by the Company's Articles of Incorporation and Bylaws, by applicable law and by the applicable rules of any stock exchange.

5.3 **Tax Withholding.** All distributions under the Plan are subject to withholding of all applicable taxes, and the Committee may condition the delivery of any shares or other benefits under the Plan on satisfaction of the applicable withholding obligations. The Committee, in its discretion, and subject to such requirements as the Committee may impose prior to the occurrence of such withholding, may permit such withholding obligations to be satisfied through cash payment by the Grantee, through the surrender of shares of Stock which the Grantee already owns, through withholding from other compensation payable to the Grantee or through the surrender of unrestricted shares of Stock to which the Grantee is otherwise entitled under the Plan, but only to the extent of the minimum amount required to be withheld under applicable law.

5.4 **Use of Shares.** Subject to the limitations on the number of shares of Stock that may be delivered under the Plan, the Committee may use available shares of Stock as the form of payment for compensation, grants or rights earned or due under any other compensation plans or arrangements of the Company or a Subsidiary, including the plans and arrangements of the Company or a Subsidiary assumed in business combinations.

5.5 **Nontransferability.** Awards granted under the Plan, and during any period of restriction on transferability, shares of Common Stock issued in connection with the exercise of an Option or a SAR, or vesting of a Restricted Stock Award may not be sold, pledged, hypothecated, assigned, margined or otherwise transferred by a Grantee in any manner other than by will or the laws of descent and distribution, unless and until the shares underlying such Award have been issued, and all restrictions applicable to such shares have lapsed or have been waived by the Committee. No Award or interest or right therein shall be subject to the debts, contracts or engagements of a Grantee or his or her successors in interest or shall be subject to disposition by transfer, alienation, anticipation, pledge, encumbrance, assignment or any other means whether such disposition be voluntary or involuntary or by operation of law, by judgment, lien, levy, attachment, garnishment or any other legal or equitable proceedings (including bankruptcy and divorce), and any attempted disposition thereof shall be null and void, of no effect, and not binding on the Company in any way. Notwithstanding the foregoing, the Committee may permit Options and/or shares issued in connection with an Option or a SAR exercise that are subject to restrictions on transferability, to be transferred one time and without payment or consideration to a member of a Grantee's immediate family or to a trust or similar vehicle for the benefit of a Grantee's immediate family members. During the lifetime of a Grantee, all rights with respect to Awards shall be exercisable only by such Grantee or, if applicable pursuant to the preceding sentence, a permitted transferee.

5.6 **Form and Time of Elections.** Unless otherwise specified herein, each election required or permitted to be made by any Grantee or other person entitled to benefits under the Plan, and any permitted modification, or revocation thereof, shall be in writing filed with the Committee at such times, in such form, and subject to such restrictions and limitations, not inconsistent with the terms of the Plan, as the Committee shall require.

5.7 **Agreement with Company.** An Award under the Plan shall be subject to such terms and conditions, not inconsistent with the Plan, as the Committee shall, in its sole discretion, prescribe. The terms and conditions of any Award to any Grantee shall be reflected in such form of written document as is determined by the Committee. A copy of such document shall be provided to the Grantee, and the Committee may, but need not, require that the Grantee shall sign a copy of such document. Such document is referred to in the Plan as an "Award Agreement" regardless of whether any Grantee signature is required.

5.8 **Gender and Number.** Where the context admits, words in any gender shall include any other gender, words in the singular shall include the plural and the plural shall include the singular.

5.9 **Limitation of Implied Rights.**

- (iii) The Plan shall at all times be unfunded and neither a Grantee nor any other person shall, by reason of participation in the Plan, acquire any right in or title to any assets, funds or property of the Company or any Subsidiary whatsoever, including, without limitation, any specific funds, assets, or other property which the Company or any Subsidiary, in its sole discretion, may set aside in anticipation of a liability under the Plan. Nothing contained in the Plan and no action taken pursuant hereto shall create or be construed to create a fiduciary relationship between the Company and any Grantee or any other person. A Grantee shall have only a contractual right to the Stock or amounts, if any, payable under the Plan, unsecured by any assets of the Company or any Subsidiary, and nothing contained in the Plan shall constitute a guarantee that the assets of the Company or any Subsidiary shall be sufficient to pay any benefits to any person.

- (iv) The Plan does not constitute a contract of employment or service, and selection as a Grantee will not give any participating Employee, Non-Employee Director or Key Advisor the right to be retained in the employ or service of the Company or any Subsidiary, nor any right or claim to any benefit under the Plan, unless such right or claim has specifically accrued under the terms of the Plan. Except as otherwise provided in the Plan or the Award Agreement, no Award under the Plan shall confer upon the holder thereof any rights as a stockholder of the Company prior to the date on which the individual fulfills all conditions for receipt of such rights.

5.10 **Section 409A.** It is intended that all Options and SARs granted under the Plan shall be exempt from the provisions of Section 409A of the Code and that all other Awards under the Plan, to the extent that they constitute “non-qualified deferred compensation” within the meaning of Section 409A of the Code, will comply with Section 409A of the Code (and any regulations and guidelines issued thereunder). The Plan and any Award Agreements issued hereunder may be amended in any respect deemed by the Board or the Committee to be necessary in order to preserve compliance with Section 409A of the Code. Notwithstanding anything in this Plan to the contrary, if required by Section 409A of the Code, if a Grantee is considered a “specified employee” for purposes of Section 409A of the Code and if payment of any Award under this Plan is required to be delayed for a period of six months after “separation from service” within the meaning of Section 409A of the Code, payment of such Award shall be delayed as required by Section 409A of the Code, and the accumulated amounts with respect to such Award shall be paid in a lump sum payment within ten days after the end of the six month period. If the Grantee dies during the postponement period prior to the payment of benefits, the amounts withheld on account of Section 409A of the Code shall be paid to the Grantee’s beneficiary within sixty (60) days after the date of the Grantee’s death. For purposes of Section 409A of the Code, each payment under the Plan shall be treated as a separate payment. In no event shall a Grantee, directly or indirectly, designate the calendar year of payment. To the extent that any provision of the Plan would cause a conflict with the requirements of section 409A of the Code, or would cause the administration of the Plan to fail to satisfy the requirements of Section 409A of the Code, such provision shall be deemed null and void to the extent permitted by applicable law. Notwithstanding anything in the Plan or any Award Agreement to the contrary, each Grantee shall be solely responsible for the tax consequences of Awards under the Plan, and in no event shall the Company have any responsibility or liability if an Award does not meet any applicable requirements of Section 409A of the Code. Although the Company intends to administer the Plan to prevent taxation under Section 409A of the Code, the Company does not represent or warrant that the Plan or any Award complies with any provision of federal, state, local or other tax law.

#### 5.11 **Regulations and Other Approvals.**

- (i) The obligation of the Company to sell or deliver Stock with respect to any Award granted under the Plan shall be subject to all applicable laws, rules and regulations, including all applicable federal and state securities laws, and the obtaining of all such approvals by governmental agencies as may be deemed necessary or appropriate by the Committee.
- (ii) Each Award is subject to the requirement that, if at any time the Committee determines, in its absolute discretion, that the listing, registration or qualification of Stock issuable pursuant to the Plan is required by any securities exchange or under any state or federal law, or the consent or approval of any governmental regulatory body is necessary or desirable as a condition of, or in connection with, the grant of an Award or the issuance of Stock, no such Award shall be granted or payment made or Stock issued, in whole or in part, unless listing, registration, qualification, consent or approval has been effected or obtained free of any conditions not acceptable to the Committee.
- (iii) In the event that the disposition of Stock acquired pursuant to the Plan is not covered by a then current registration statement under the Securities Act and is not otherwise exempt from such registration, such Stock shall be restricted against transfer to the extent required by the Securities Act of 1933, as amended, or regulations thereunder, and applicable state securities laws, and the Committee may require a Grantee receiving Stock pursuant to the Plan, as a condition precedent to receipt of such Stock, to represent to the Company in writing that the Stock acquired by such Grantee is acquired for investment only and not with a view to distribution.
- (iv) With respect to persons subject to section 16 of the 1934 Act, it is the intent of the Company that the Plan and all transactions under the Plan comply with all applicable provisions of Rule 16b-3.
- (v) All Awards under the Plan will be subject to any compensation, clawback and recoupment policies that may be applicable to the employees of the Company, as in effect from time to time and as approved by the Board or Committee, whether or not approved before or after the Effective Date. Subject to the requirements of applicable law, any such compensation, clawback and recoupment policies shall apply to Awards made after the effective date of the policy.

5.12 **Non-Employee Director Award Deferrals.** The Committee may permit a Non-Employee Director to defer receipt of the payment of cash or the delivery of shares that would otherwise be due to such Non-Employee Director in connection with any Restricted Stock, Restricted Stock Units, Other Stock-Based Awards or Cash-Based Awards. If any such deferral election is permitted, the Committee shall establish rules and procedures for such deferrals and may provide for interest or other earnings to be paid on such deferrals, which rules and procedures shall be consistent with applicable requirements of Section 409A of the Code. Unless otherwise specified in a Non-Employee Director’s valid election, any deferred amount will be deferred until the earliest to occur of the Non-Employee Director’s death, separation from service, or Change of Control; provided that any such deferral election is made by the Non-Employee Director on or prior to December 31 of the calendar year preceding the calendar year in which any such amounts are earned, or, if such Non-Employee Director is newly eligible for purposes of Section 409A of the Code, then within 30 days following the date he or she is first eligible, and then only with respect to amounts earned after the date of the election.

## **6 Amendment and Termination**

The Plan may be terminated or amended by the Board at any time, except that the following actions may not be taken without stockholder approval:

- (i) any increase in the number of shares that may be issued under the Plan (except by certain adjustments provided for under the Plan);
- (ii) any change in the class of persons eligible to receive ISOs under the Plan;
- (iii) any change in the requirements of Sections 4.2(i)(b) and 4.2(ii)(c) hereof regarding the exercise price of Options and the grant price of SARs;
- (iv) any repricing or cancellation and regrant of any Option or, if applicable, other Award at a lower exercise, base or purchase price, whether in the form of an amendment, cancellation or replacement grant, or a cash-out of underwater options or any action that provides for Awards that contain a so-called "reload" feature under which additional Options or other Awards are granted automatically to the Grantee upon exercise of the original Option or Award; or
- (v) any other amendment to the Plan that would require approval of the Company's stockholders under applicable law, regulation or rule or stock exchange listing requirement.

Notwithstanding any of the foregoing, adjustments pursuant to Section 3 shall not be subject to the foregoing limitations of this Section 6.

## **7 Governing Law**

The Plan and all Award Agreements entered into under the Plan shall be construed in accordance with and governed by the laws of the State of New York, except that any principles or provisions of New York law that would apply the law of another jurisdiction (other than applicable provisions of U.S. Federal law) shall be disregarded. Notwithstanding the foregoing, matters with respect to indemnification, delegation of authority under the Plan, and the legality of shares of Stock issued under the Plan, shall be governed by the Nevada Revised Statutes.

## **8 Severability**

If any of the provision of this Plan is finally held to be invalid, illegal or unenforceable (whether in whole or in part), such provision shall be deemed modified to the extent, but only to the extent, of such invalidity, illegality or unenforceability and the remaining provisions shall not be affected thereby; provided that, if any such provision is finally held to be invalid, illegal or unenforceable because it exceeds the maximum scope determined to be acceptable to permit such provision to be enforceable, such provision shall be deemed modified to the minimum extent necessary in order to make such provision enforceable.

\* \* \* \* \*

## Annex B

### TONIX PHARMACEUTICALS HOLDING CORP.

#### 2014 EMPLOYEE STOCK PURCHASE PLAN

1. **Purpose.** The purpose of the Plan is to furnish to Eligible Employees an incentive to advance the best interests of the Company by providing a method whereby they may voluntarily purchase stock of the Company at a favorable price and upon favorable terms. The Plan is intended to qualify as an “employee stock purchase plan” under Section 423 of the Code.
2. **Definitions.**
  - (a) **“Board”** means the Board of Directors of Tonix Pharmaceuticals Holding Corp.
  - (b) **“Code”** means the U.S. Internal Revenue Code of 1986, as amended.
  - (c) **“Committee”** means the Tonix Pharmaceuticals Holding Corp. Compensation Committee; provided, however, with respect to certain procedural interpretations of the Plan and the day-to-day administration of the Plan, the Committee may delegate to a subcommittee or a member of the Committee.
  - (d) **“Company”** means Tonix Pharmaceuticals Holding Corp.
  - (e) **“Date of Exercise”** means the last day of each Option Period.
  - (f) **“Date of Grant”** means, except as otherwise determined by the Committee, the first day of each January and July.
  - (g) **“Designated Subsidiary”** means any Subsidiary which has been designated by the Committee from time to time in its sole discretion as eligible to participate in the Plan.
  - (h) **“Eligible Base Compensation”** means that portion of an Eligible Employee’s Eligible Compensation that is comprised of wages and salaries and that excludes bonuses, commissions, and other amounts received during the Option Period.
  - (i) **“Eligible Compensation”** means the gross (before taxes are withheld) total of all wages, salaries and overtime earnings received during the Option Period, except that such term shall include elective contributions made on an Employee’s behalf by the Company or a Designated Subsidiary that are not includable in income under Section 125 or Section 402(e)(3) of the Code. Notwithstanding the foregoing, “Eligible Compensation” shall not include (i) reimbursements and other expense allowances, (ii) cash and noncash fringe benefits, (iii) moving expenses and moving bonuses, (iv) employer contributions to or payments from any deferred compensation program, whether such program is qualified under Section 401(a) of the Code or nonqualified, (v) employee contributions to, or deferrals under, any nonqualified deferred compensation program, (vi) welfare benefits, (vii) amounts realized from participation in any stock option, restricted stock, restricted stock unit, stock purchase or similar equity plan, (viii) amounts realized at the time property described in Section 83 of the Code is freely transferable or no longer subject to a substantial risk of forfeiture, (ix) severance or separation pay, (x) accumulated vacation paid upon termination of employment, (xi) bonuses, and (xii) any other amounts that receive special tax benefits under the Code but are not specifically included in the preceding sentence.
  - (j) **“Eligible Employee”** means an Employee that pursuant to paragraph 4 is eligible to participate in Plan.
  - (k) **“Employee”** means any individual who is an employee of the Employer for tax purposes and for purposes of participation in the Plan whose customary employment with the Employer is at least 20 hours per week and more than five months in a calendar year. The term “Employee” shall not include any independent contractors providing services to the Employer, regardless of length of such service.
  - (l) **“Employer”** means the Company or any of its Designated Subsidiaries.
  - (m) **“Enrollment Period”** means with respect to a given Option Period, that period beginning on the fifteenth (15<sup>th</sup>) day of May and November and ending on the fifteenth (15<sup>th</sup>) day of June and December, respectively, during which Eligible Employees may elect to purchase shares of Stock at the end of that Option Period in accordance with the terms of this Plan. The duration and timing of Enrollment Periods may be changed or modified by the Committee.
  - (n) **“Fair Market Value”** means, as of any date, the mean of the high and low sales prices of the Stock reported on the composite tape of the NASDAQ Stock Market (or if no longer listed on the NASDAQ Stock Market, such other national securities exchange on which the Stock is then listed), on that date or, if no prices are reported on that date, on the last preceding date on which such prices of the Stock are so reported. If the Stock is traded over the counter at the time a determination of its Fair Market Value is required to be made hereunder, its Fair Market Value shall be deemed to be equal to the average between the reported high and low or closing bid and asked prices of Stock on the most recent date on which Stock was publicly traded. In the event Stock is not publicly traded at the time a determination of its value is required to be made hereunder, the determination of its Fair Market Value shall be made by the Committee in such manner as it deems appropriate.





- (o) **“Maximum Period”** means, with respect to a Participant, the 90 day period beginning on the first day of the Participant’s leave of absence; provided, however, that if the Participant’s right to reemployment by the Company or a Designated Subsidiary is guaranteed either by statute or contract, then such 90 day period shall be extended until the last day upon which such reemployment rights are so guaranteed.
- (p) **“Offering”** means an offer under this Plan of an option that may be exercised during an Option Period as further described in paragraph 6.
- (q) **“Option Period”** means the six-month period that begins on the Date of Grant and ends on the Date of Exercise. The duration and timing of Option Period Periods may be changed or modified by the Committee but the Option Period cannot exceed 27 months between the Date of Grant and the Date of Exercise.
- (r) **“Option Price”** means 85% of the Fair Market Value of the Stock on the Date of Exercise or on the Date of Grant, whichever amount is lesser.
- (s) **“Participant”** means any Employee who meets the eligibility and participation requirements in paragraphs 4 and 6 below.
- (t) **“Plan”** means this Tonix Pharmaceuticals Holding Corp. 2014 Employee Stock Purchase Plan.
- (u) **“Stock”** means shares of the authorized \$0.001 par value common stock of the Company.
- (v) **“Subsidiary”** means any present or future corporation which (i) is or becomes a "subsidiary corporation" of the Company as that term is defined in Section 424 of the Code and (ii) is designated as a participant in the Plan by the Committee.

### 3. **Administration of the Plan.**

- (a) **Administration by the Committee.** The Plan shall be administered by the Committee, which committee was established by the Board. With respect to certain procedural interpretations of the Plan and the day-to-day administration of the Plan, the Committee may delegate to a subcommittee or a member of the Committee. Subject to the provisions of the Plan, the Committee shall interpret the Plan and all options granted under the Plan, shall make such rules as it deems necessary for the proper administration of the Plan, shall make all other determinations necessary or advisable for the administration of the Plan, and shall correct any defect or supply any omission or reconcile any inconsistency in the Plan or in any option granted under the Plan in the manner and to the extent that the Committee deems desirable to carry the Plan or any option into effect. Any action taken or determination made by the Committee pursuant to this and the other paragraphs of the Plan shall be conclusive on all parties. All expenses incurred in connection with the administration of the Plan shall be paid by the Company.
- (b) **Authority of Officers.** Any officer of the Company shall have the authority to act on behalf of the Company with respect to any matter, right, obligation, determination or election that is the responsibility of or that is allocated to the Company herein, provided that the officer has apparent authority with respect to such matter, right, obligation, determination or election.
- (c) **Indemnification.** In addition to such other rights of indemnification as they may have as members of the Board or officers or employees of the Company, members of the Board and any officers or employees of the Company to whom authority to act for the Board or the Company is delegated shall be indemnified by the Company against all reasonable expenses, including attorneys’ fees, actually and necessarily incurred in connection with the defense of any action, suit or proceeding, or in connection with any appeal therein, to which they or any of them may be a party by reason of any action taken or failure to act under or in connection with the Plan, or any right granted hereunder, and against all amounts paid by them in settlement thereof provided such settlement is approved by independent legal counsel selected by the Company or paid by them in satisfaction of a judgment in any such action, suit or proceeding, except in relation to matters as to which it shall be adjudged in such action, suit or proceeding that such person is liable for gross negligence, bad faith or intentional misconduct in duties; provided, however, that within sixty (60) days after the institution of such action, suit or proceeding, such person shall offer to the Company, in writing, the opportunity at its own expense to handle and defend the same.

### 4. **Eligibility.**

- (a) **General Statement.** Any individual who, as of a specific Date of Grant, is an Employee and has been continuously employed (including any authorized leave of absence) by the Company or any Designated Subsidiary for at least 90 consecutive days and who made an enrollment election as an Employee for that Date of Grant during the Enrollment Period or whose enrollment election was carried over according to subparagraph 6(f) shall be eligible to participate in the Plan for the Option Period beginning on such Date of Grant, subject to the requirements of paragraph 6 and the limitation imposed by Section 423(b) of the Code, provided, however, that any Employee on July 1, 2014 shall be eligible to participation for the Option Period beginning July 1, 2014 regardless of length of employment. Employees who are located outside the U.S. may be excluded from the Plan if their participation is prohibited under the laws of the applicable jurisdiction or if complying with the laws of the applicable jurisdiction would cause the Plan to violate Section 423 of the Code.

(b) **Employees Not Eligible.** Any provisions of the Plan to the contrary notwithstanding, an Employee is not eligible to participate if on the Date of Grant for any Offering Period such Employee, immediately after the grant of an option hereunder, would own stock possessing five percent or more of the total combined voting power or value of all classes of stock of the Company or of its parent or subsidiary corporations (within the meaning of Sections 423(b)(3) and 424(d) of the Code).

5. **Stock Subject to the Plan.** Subject to the provisions of paragraph 12 (relating to adjustment upon changes in Stock), the Company shall reserve initially for issuance under the Plan an aggregate of 300,000 shares of the Company's common stock (the "Common Stock"), which shares shall be authorized but unissued shares of Stock. For purposes of applying the limitation set forth in the preceding sentence, any share of Stock sold pursuant to the Plan prior to an adjustment of the number of shares of Stock subject to the Plan under paragraph 12 shall be deemed to have been adjusted at the same time and in a similar manner as the adjustment to such number of shares of Stock subject to the Plan pursuant to paragraph 12. The Committee may from time to time reserve additional shares of authorized and unissued Stock for issuance pursuant to the Plan; provided, however, that at no time shall the number of shares of Stock reserved be greater than permitted by applicable law. Should any option granted under the Plan expire or terminate prior to its exercise in full, the shares theretofore subject to such option may again be subject to an option granted under the Plan. Any shares which are not subject to outstanding options upon the termination of the Plan shall cease to be subject to the Plan.

6. **Grant of Options.**

(a) **General Statement.** Following the effective date of the Plan and continuing while the Plan remains in force, the Company shall offer options under the Plan to all Eligible Employees to purchase shares of Stock. Subject to subparagraph 6(d), the number of shares subject to an option for a Participant shall be equal to the quotient of (i) the aggregate payroll deductions withheld on behalf of such Participant during the Option Period in accordance with subparagraph 6(b), divided by (ii) the Option Price of the Stock applicable to the Option Period, including fractions.

(b) **Election to Participate; Payroll Deduction Authorization.**

(i) Except as provided in subparagraph 6(f), an Eligible Employee may participate in the Plan only by means of payroll deduction. Except as provided in subparagraph 6(f), each Eligible Employee who elects to participate in the Plan shall deliver to the Company no later than the last day of the Enrollment Period a written payroll deduction authorization (which may be delivered electronically in accordance with procedures established by the Committee) in a form prepared by the Company whereby he or she gives notice of his or her election to participate in the Plan as of the next following Date of Grant, and whereby he or she designates an integral percentage, which cannot be less than one percent (1%) of his or her Eligible Compensation to be deducted from his or her compensation on each payment date and paid into the Plan for his or her account.

(ii) The Committee's administrative procedures may provide that an Employee's contributions to the Plan made pursuant to this subparagraph 6(b) will be subject to a "withholding hierarchy" for purposes of determining the amount that may be contributed to the Plan on behalf of a Participant. The Committee may determine the order of all withholdings and deductions taken from an Eligible Employee's compensation (*e.g.*, for federal, state and local taxes, social security, wage garnishments, welfare plan contributions, 401(k) deferrals, amounts elected under the Plan, and similar withholdings), and an Eligible Employee's payroll deductions made pursuant to this subparagraph 6(b) will be subject to such withholding hierarchy. As a result, such contributions to the Plan may be effectively limited to Eligible Compensation available after the application of such withholding hierarchy.

(iii) The percentage of Eligible Compensation that an Eligible Employee designates to contribute under this subparagraph 6(b) may not exceed either of the following: (i) 15% of the amount of Eligible Compensation from which the deduction is made; or (ii) an amount which will result in noncompliance with the \$25,000 limitation stated in subparagraph 6(d).

(iv) Subject to the limitations set forth in Section 423 of the Code, the Committee may change the administrative procedures applicable to the processes of electing Eligible Compensation deductions or deposits, as are set forth in subparagraphs 6(b)(i) and 6(b)(ii), and such revised procedures shall apply under the Plan as if fully set forth in the Plan.

(c) **Changes in Payroll Authorization.** The payroll deduction authorization referred to in subparagraph 6(b) may not be changed during the Option Period.

(d) **\$25,000 Annual Limitation.** No Employee shall be granted an option under the Plan to the extent the grant of an option under the Plan would permit his or her rights to purchase Stock under the Plan and under all other employee stock purchase plans of the Company and its parent and subsidiary corporations (as such terms are defined in Section 424(e) and (f) of the Code) to accrue at a rate which exceeds \$25,000 (or such other limit as may be in effect under Section 423 of the Code (or any successor provision) from time to time) of Stock, measured at the Fair Market Value of the Stock determined on the first day of the Option Period, for each calendar year in which any such option granted to such Employee is outstanding at any time (within the meaning of Section 423(b)(8) of the Code). Any amounts received from an Employee which cannot be used to purchase Stock under the Plan due to the \$25,000 annual limitation set forth in this subparagraph 6(d) shall be returned as soon as practicable, without interest.

(e) **Leaves of Absence.** During a paid leave of absence approved by the Company and meeting the requirements of Treasury Regulation § 1.421-1(h)(2), a Participant's elected payroll deductions shall continue. A Participant may not contribute to the Plan during an unpaid leave of absence. If a Participant takes an unpaid leave of absence that is approved by the Company and meets the requirements of Treasury Regulation § 1.421-1(h)(2), then such Participant's payroll deductions for an Option Period that were made prior to such leave may remain in the Plan and be used to purchase Stock under the Plan on the Date of Exercise relating to such Option Period. If a Participant takes a leave of absence that is not described in the first or third sentence of this subparagraph 6(e), then he or she shall be considered to have terminated his or her employment and withdrawn from the Plan pursuant to the provisions of paragraph 8 hereof. Further, notwithstanding the preceding provisions of this subparagraph 6(e), if a Participant takes a leave of absence that is described in the first or third sentence of this subparagraph 6(e) and such leave of absence exceeds the Maximum Period, then he or she shall be considered to have withdrawn from the Plan pursuant to the provisions of paragraph 8 hereof and terminated his or her employment for purposes of the Plan on the day immediately following the last day of the Maximum Period.

(f) **Continuing Election.** Except for a Participant who contributed a specific amount of Eligible Base Compensation, a Participant who has elected to participate in the Plan pursuant to subparagraph 6(b), as applicable, as of a Date of Grant, who takes no action to change or revoke his or her election on or before the date that is 15 days before any such respective Date of Grant shall be deemed to have made the same election, including the same attendant payroll deduction authorization or deposit election agreement, as applicable, for such next following and/or subsequent Date(s) of Grant as was in effect for the Date of Grant for which he or she made (or was deemed to have made, as applicable) such election to participate, subject to 6(b)(i) of the Plan

#### 7. **Exercise of Options.**

(a) **General Statement.** Subject to the limitations contained herein, each Eligible Employee who is a Participant in the Plan automatically and without any act on his or her part shall be deemed to have exercised his or her option on each Date of Exercise to the extent that the cash balance then in his or her account under the Plan is sufficient to purchase at the Option Price whole and fractional shares of Stock.

(b) **Delivery of Shares.** As soon as practicable after each Date of Exercise, the Company shall deliver to a custodian selected by the Committee instructions for electronic delivery of the total number of shares of Stock respecting exercised options in the aggregate (for both whole and fractional shares) of all of the Eligible Employees who participated in the Option Period ending on such Date of Exercise. Such custodian shall keep accurate records of the beneficial interests of each Eligible Employee in the shares of Stock purchased by such Eligible Employee under the Plan and shall provide each Eligible Employee with such periodic statements as may be directed by the Committee reflecting all activity in the Eligible Employee's account. In the event the Company is required to obtain from any commission or agency authority to deliver any such shares of Stock, the Company shall seek to obtain such authority. Inability of the Company to obtain from any such commission or agency authority which counsel for the Company deems necessary for the lawful issuance of any such shares of Stock shall relieve the Company from liability to any Participant in the Plan except to return to him or her the amount of the balance in his or her account.

(c) **Fractional Shares.** Notwithstanding anything else to the foregoing, fractional shares of Stock will not be issued under the Plan. Any accumulated payroll deductions which would have been used to purchase fractional shares, unless refunded pursuant to Sections 8(a) or 9 below, will be held for the purchase of Stock in the next following Offering Period, without interest.

#### 8. **Withdrawal from the Plan.**

(a) **General Statement.** Any Participant may withdraw in whole from the Plan at any time prior to the first day of the payroll period that includes the Date of Exercise relating to a particular Option Period. Partial withdrawals shall not be permitted. A Participant who wishes to withdraw from the Plan must timely provide notice of withdrawal by following the electronic or other procedures prescribed by the Committee or its delegate. The Company, promptly following the date when notice of withdrawal is timely provided, shall refund to the Participant the amount of the cash balance in his or her account under the Plan; and thereupon, automatically and without any further act on his or her part, his or her payroll deduction authorization and his or her interest in unexercised options under the Plan shall terminate.

(b) **Eligibility Following Withdrawal.** A Participant who withdraws from the Plan shall be eligible to participate again in the Plan upon expiration of the Option Period during which he or she withdrew (provided that he or she is otherwise eligible to participate in the Plan at such time).

9. **Termination of Employment.** If the employment of a Participant terminates for any reason, his or her participation in the Plan automatically and without any act on his or her part shall terminate as of the date of the termination of his or her employment. The Company shall promptly refund to him or her any cash balance in his or her account under the Plan, and thereupon his or her interest in unexercised options under the Plan shall terminate. The Committee may also establish rules regarding when leaves of absence or changes of employment status will be considered to be a termination of employment, including rules regarding transfer of employment among Designated Subsidiaries or between Designated Subsidiaries and the Company, and the Committee may establish termination-of-employment procedures that are independent of similar rules established under other benefit plans of the Company and its Subsidiaries; provided that such procedures for the Code Section 423(b) Component are not in conflict with the requirements of Section 423 of the Code.

10. **Restriction Upon Assignment of Option.** An option granted under the Plan shall not be transferable. Each option shall be exercisable, during his or her lifetime, only by the Employee to whom granted. The Company shall not recognize and shall be under no duty to recognize any assignment or purported assignment by an Employee of his or her option or of any rights under his or her option.

11. **No Rights of Stockholder Until Stock Issued.** With respect to shares of Stock subject to an option, a Participant shall not be deemed to be a stockholder, and he or she shall not have any of the rights or privileges of a stockholder. A Participant shall have the rights and privileges of a stockholder upon, but not until, electronic delivery of shares has been made on his or her behalf following exercise of his or her option. With respect to a Participant's Stock held by the custodian pursuant to subparagraph 7(b), the custodian shall, as soon as practicable, pay the Participant any cash dividends attributable thereto and shall, in accordance with procedures adopted by the custodian and the Committee, facilitate the Participant's voting rights attributable thereto.

12. **Changes in Stock; Adjustments.** Whenever any change is made in the Stock, by reason of a stock dividend or by reason of subdivision, stock split, reverse stock split, recapitalization, reorganization, combination, reclassification of shares, or other similar change, appropriate action will be taken by the Board to adjust accordingly the number of shares subject to the Plan and the number and Option Price of shares subject to options outstanding under the Plan.

In the event of a proposed sale of all or substantially all of the assets, property or stock of the Company, a reorganization, merger or consolidation of the Company with or into one or more corporations, or a dissolution or liquidation of the Company, unless a successor corporation or a parent or subsidiary thereof assumes or substitutes new options (within the meaning of Section 424(a) of the Code) for all options then outstanding, (i) the Date of Exercise for all options then outstanding shall be accelerated to a date fixed by the Board prior to the effective date of such sale, reorganization, merger or consolidation or such dissolution or liquidation and (ii) upon such effective date any unexercised options shall expire.

13. **Use of Funds; No Interest Paid.** All funds received or held by the Company under the Plan shall be included in the general funds of the Company free of any trust or other restriction and may be used for any corporate purpose. No interest shall be paid to any Participant or credited to his or her account under the Plan.

14. **Term of the Plan.** The Plan shall be effective for the Option Period beginning July 1, 2014 subject to the prior adoption by the Board, provided the Plan is approved by the stockholders of the Company within 12 months thereafter. Notwithstanding any provision in the Plan, no option granted under the Plan shall be exercisable prior to such stockholder approval, and, if the stockholders of the Company do not approve the Plan within 12 months after its adoption by the Board, then the Plan shall automatically terminate. If not sooner terminated under the provisions of paragraph 15, the Plan shall terminate (and no further options shall be granted, and no further shares of Stock shall be sold) after all of the shares of Stock subject to the Plan, as provided in paragraph 5, have been sold pursuant to options granted under the Plan.

15. **Amendment or Termination of the Plan.** The Board in its discretion may terminate the Plan at any time with respect to any shares for which options have not theretofore been granted. The Board shall have the right to alter or amend the Plan or any part thereof from time to time; provided, that no change in any option theretofore granted may be made which would impair the rights of the Participant without the consent of such Participant; and provided, further, that the Board may not make any alteration or amendment which would materially increase the benefits accruing to Participants under the Plan, increase the aggregate number of shares which may be issued pursuant to the provisions of the Plan (other than as a result of the anti-dilution provisions of the Plan), change the class of individuals eligible to receive options under the Plan, extend the term of the Plan, cause options issued under the Plan to fail to meet the requirements of employee stock purchase options as defined in Section 423 of the Code, or otherwise modify the requirements as to eligibility for participation in the Plan without the approval of the stockholders of the Company.

16. **Securities Laws.** The Company shall not be obligated to issue any Stock pursuant to any option granted under the Plan at any time when the shares covered by such option have not been registered under the Securities Act of 1933, as amended, and such other state and federal laws, rules, or regulations as the Company or the Committee deems applicable and, in the opinion of legal counsel for the Company, there is no exemption from the registration requirements of such laws, rules or regulations available for the issuance and sale of such shares. Further, all Stock acquired pursuant to the Plan shall be subject to insider trading policies of the Company, as the same may be amended from time to time.

17. **No Restriction on Corporate Action.** Nothing contained in the Plan shall be construed to prevent the Company or any Subsidiary from taking any corporate action which is deemed by the Company or such Subsidiary to be appropriate or in its best interest, whether or not such action would have an adverse effect on the Plan or any award made under the Plan. No Employee, beneficiary or other person shall have any claim against the Company or any Subsidiary as a result of any such action.

18. **Governing Law.** The Plan shall be construed in accordance with and governed by the laws of the State of New York, except that any principles or provisions of New York law that would apply the law of another jurisdiction (other than applicable provisions of U.S. Federal law) shall be disregarded. Notwithstanding the foregoing, matters with respect to indemnification, delegation of authority under the Plan, and the legality of shares of Stock issued under the Plan, shall be governed by the Nevada Revised Statutes.

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**PROXY**

**TONIX PHARMACEUTICALS HOLDING CORP.**

**PROXY FOR ANNUAL MEETING TO BE HELD ON JUNE 9, 2014  
THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS**

The undersigned, revoking all prior proxies, hereby appoints SETH LEDERMAN and LELAND GERSHELL and each of them, with full power of substitution in each, as proxies for the undersigned, to represent the undersigned and to vote all the shares of Common Stock of the Company which the undersigned would be entitled to vote, as fully as the undersigned could vote and act if personally present, at the Annual Meeting of Stockholders (the "Meeting") to be held on June 9, 2014, at 10:00 a.m., local time, at the offices of Sichenzia Ross Friedman Ference LLP at 61 Broadway, 32<sup>nd</sup> Floor, New York, New York 10006 or at any adjournments or postponements thereof.

Should the undersigned be present and elect to vote at the Meeting or at any adjournments or postponements thereof, and after notification to the Secretary of the Company at the Meeting of the stockholder's decision to terminate this proxy, then the power of such attorneys or proxies shall be deemed terminated and of no further force and effect. This proxy may also be revoked by filing a written notice of revocation with the Secretary of the Company or by duly executing a proxy bearing a later date.

In their discretion, the Proxies are authorized to vote upon any other matter that may properly come before the meeting or any adjournments thereof.

THIS PROXY WILL BE VOTED IN ACCORDANCE WITH THE SPECIFICATIONS MADE, BUT IF NO CHOICES ARE INDICATED, THIS PROXY WILL BE VOTED FOR THE ELECTION OF ALL NOMINEES AND FOR THE PROPOSALS LISTED ON THE REVERSE SIDE.

IMPORTANT—This Proxy must be signed and dated on the reverse side.

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**▲ PLEASE DETACH ALONG PERFORATED LINE AND MAIL IN THE ENVELOPE PROVIDED. ▲**

**Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting of Stockholders to be held June 9, 2014.**

**This Proxy Statement and our 2013 Annual Report on Form 10-K are available at: <http://viewproxy.com/tonixpharma/2014/>.**

**THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR ALL NOMINEES" IN PROPOSAL 1 AND "FOR" IN PROPOSALS 2 – 4**

1. Election of Directors

Nominees:

01 Seth Lederman	02 Stuart Davidson	03 Patrick Grace	04 Donald W. Landry
05 Ernest Mario	06 Charles E. Mather IV	07 John Rhodes	08 Samuel Saks

- FOR ALL NOMINEES**  
 **WITHHOLD AUTHORITY FOR ALL NOMINEES**  
 **FOR ALL, EXCEPT AS NOTED BELOW**

\_\_\_\_\_  
(Except nominee(s) written above)

2. Proposal to ratify the appointment of EisnerAmper LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2014.

**FOR**       **AGAINST**       **ABSTAIN**

3. Proposal to approve the Tonix Pharmaceuticals Holding Corp. 2014 Stock Incentive Plan.

**FOR**       **AGAINST**       **ABSTAIN**

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4. Proposal to approve the Tonix Pharmaceuticals Holding Corp. 2014 Employee Stock Purchase Plan.

FOR       AGAINST       ABSTAIN

If you plan to attend the Annual Meeting please mark this box

Dated: \_\_\_\_\_, 2014

Signature \_\_\_\_\_

Name (printed) \_\_\_\_\_

Title \_\_\_\_\_

Note: Please sign exactly as name appears hereon. When shares are held by joint owners, both should sign. When signing as attorney, executor, administrator, trustee, guardian, or corporate officer, please give title as such.

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▲ PLEASE DETACH ALONG PERFORATED LINE AND MAIL IN THE ENVELOPE PROVIDED. ▲

CONTROL NUMBER



**PROXY VOTING INSTRUCTIONS**

Please have your 11 digit control number ready when voting by Internet or Telephone



**INTERNET**

**Vote Your Proxy on the Internet:**

**Go to [www.cesvote.com](http://www.cesvote.com)**

Have your proxy card available when you access the above website. Follow the prompts to vote your shares.



**TELEPHONE**

**Vote Your Proxy by Phone:  
Call 1 (888) 693-8683**

Use any touch-tone telephone to vote your proxy. Have your proxy card available when you call. Follow the voting instructions to vote your shares.



**MAIL**

**Vote Your Proxy by Mail:**

Mark, sign, and date your proxy card, then detach it, and return it in the postage-paid envelope provided.