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

FORM 10-Q

(Mark One)
☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended June 30, 2018

or

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Transition Period from _____ to _____

Commission file number: 001-36019

TONIX PHARMACEUTICALS HOLDING CORP.
(Exact name of registrant as specified in its charter)

Nevada	**26-1434750**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

509 Madison Avenue, Suite 306
New York, New York 10022
(Address of principal executive offices) (zip code)

(212) 980-9155
(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☐ (Do not check if a smaller reporting company)	Smaller reporting company	☒
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13 (a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No☒.

As of August 9, 2018, there were 9,513,181 shares of registrant's common stock outstanding.

TONIX PHARMACEUTICALS HOLDING CORP.

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PART I – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

TONIX PHARMACEUTICALS HOLDING CORP.
CONDENSED CONSOLIDATED BALANCE SHEETS
(In Thousands, Except Par Value and Share Amounts)

	June 30, 2018 (unaudited)	December 31, 2017
ASSETS		
Current assets:		
Cash and cash equivalents	$ 16,679	$ 25,496
Restricted cash	89	—
Prepaid expenses and other	1,391	947
Total current assets	18,159	26,443
Property and equipment, net	65	91
Restricted cash	—	89
Intangible asset	120	120
Security deposits	11	11
Total assets	$ 18,355	$ 26,754
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 1,640	$ 1,296
Accrued expenses	872	830
Total current liabilities	2,512	2,126
Deferred rent payable	1	12
Total liabilities	2,513	2,138
Commitments (See Note 8)		
Stockholders' equity:		
Preferred stock, $0.001 par value; 5,000,000 shares authorized, none issued or outstanding	—	—
Common stock, $0.001 par value; 150,000,000 shares authorized; 8,819,887 and 7,830,040 shares issued and outstanding as of June 30, 2018 and December 31, 2017, respectively	9	8
Additional paid in capital	191,252	186,983
Accumulated deficit	(175,385)	(162,363)
Accumulated other comprehensive loss	(34)	(12)
Total stockholders' equity	15,842	24,616
Total liabilities and stockholders' equity	$ 18,355	$ 26,754

See the accompanying notes to the condensed consolidated financial statements

TONIX PHARMACEUTICALS HOLDING CORP.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In Thousands, Except Share and Per Share Amounts)
(unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
COSTS AND EXPENSES:				
Research and development	$ 4,067	$ 2,806	$ 9,237	$ 5,800
General and administrative	2,076	2,016	3,894	4,113
	6,143	4,822	13,131	9,913
Operating loss	(6,143)	(4,822)	(13,131)	(9,913)
Interest income, net	56	42	109	69
NET LOSS	$ (6,087)	$ (4,780)	$ (13,022)	$ (9,844)
Net loss per common share, basic and diluted	$ (0.73)	$ (0.65)	$ (1.60)	$ (1.74)
Weighted average common shares outstanding, basic and diluted	8,391,709	7,327,890	8,122,499	5,666,457

See the accompanying notes to the condensed consolidated financial statements

TONIX PHARMACEUTICALS HOLDING CORP.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(In Thousands)
(unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
Net loss	$ (6,087)	$ (4,780)	$ (13,022)	$ (9,844)
Other comprehensive loss:				
Foreign currency translation loss	(21)	(1)	(22)	(2)
Comprehensive loss	$ (6,108)	$ (4,781)	$ (13,044)	$ (9,846)

See the accompanying notes to the condensed consolidated financial statements

TONIX PHARMACEUTICALS HOLDING CORP.
CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
SIX MONTHS ENDED JUNE 30, 2018
(In Thousands, Except Share and Per Share Amounts)
(unaudited)

	Common stock		Additional Paid in	Accumulated Other Comprehensive	Accumulated	
	Shares	Amount	Capital	Income (Loss)	Deficit	Total
Balance, December 31, 2017	7,830,040	$ 8	$ 186,983	$ (12)	$ (162,363)	$ 24,616
Issuance of common stock related to restricted stock units	750	—	—	—	—	—
Issuance of common stock under Purchase Agreement, net of transactional expenses of $45	630,000	1	1,846	—	—	1,847
Issuance of common stock in June 2018 under At-the-market offering, net of transactional expenses of $50	359,097	—	1,615	—	—	1,615
Stock-based compensation			808	—	—	808
Foreign currency translation loss	—	—	—	(22)	—	(22)
Net loss	—	—	—	—	(13,022)	(13,022)
Balance, June 30, 2018	8,819,887	$ 9	$ 191,252	$ (34)	$ (175,385)	$ 15,842

See the accompanying notes to the condensed consolidated financial statements

TONIX PHARMACEUTICALS HOLDING CORP.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands)
(unaudited)

	Six months ended June 30,	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (13,022)	$ (9,844)
Adjustments to reconcile net loss to net cash used in operating activities:		
Amortization of premium on marketable securities	—	6
Depreciation of property and equipment	30	34
Stock-based compensation	808	1,044
Changes in operating assets and liabilities:		
Prepaid expenses	(444)	(111)
Accounts payable	342	307
Accrued expenses and deferred rent	30	(590)
Net cash used in operating activities	(12,256)	(9,154)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(4)	(2)
Maturities of marketable securities	—	7,174
Net cash (used in) provided by investing activities	(4)	7,172
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from exercise of warrants	—	14
Proceeds, net of expenses of $95 and $1,168, from sale of common stock	3,462	17,386
Net cash provided by financing activities	3,462	17,400
Effect of currency rate change on cash	(19)	(4)
Net (decrease) increase in cash, cash equivalents and restricted cash	(8,817)	15,414
Cash, cash equivalents and restricted cash beginning of the period	25,585	19,030
Cash, cash equivalents and restricted cash, end of period	$ 16,768	$ 34,444
Supplemental disclosures of cash flow information:		
Non-cash financing activities:		
Issuance of common stock under employee benefit plan	$ —	$ 10

See the accompanying notes to the condensed consolidated financial statements

TONIX PHARMACEUTICALS HOLDING CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017 (UNAUDITED)

NOTE 1 – BUSINESS

Tonix Pharmaceuticals Holding Corp., through its wholly owned subsidiary Tonix Pharmaceuticals, Inc. ("Tonix Sub"), is a clinical-stage biopharmaceutical company focused on discovering and developing pharmaceutical products to treat serious neuropsychiatric conditions and to improve biodefense through the development of potential medical counter-measures. All drug product candidates are still in development.

The consolidated financial statements include the accounts of Tonix Pharmaceuticals Holding Corp. and its wholly owned subsidiaries, Tonix Sub, Krele LLC, Tonix Pharmaceuticals (Canada), Inc., Tonix Medicines, Inc., Tonix Pharma Holdings Limited and Tonix Pharma Limited (collectively hereafter referred to as the "Company" or "Tonix").

Going concern

The accompanying financial statements have been prepared on a basis which assumes that the Company will continue as a going concern and which contemplates the realization of assets and satisfaction of liabilities and commitments in the normal course of business. The Company has suffered recurring losses from operations and negative cash flows from operating activities. At June 30, 2018, the Company had working capital of approximately $15.6 million. At June 30, 2018, the Company had an accumulated deficit of approximately $175.4 million. The Company held cash and cash equivalents of approximately $16.7 million as of June 30, 2018. The Company does not have enough resources to meet its operating requirements through August 2019. These factors raise substantial doubt about the Company's ability to continue as a going concern.

The Company continues to face significant challenges and uncertainties and, as a result, the Company's available capital resources may be consumed more rapidly than currently expected due to changes the Company may make in its research and development spending plans. The Company has the ability to obtain additional funding through public or private financing or collaborative arrangements with strategic partners to increase the funds available to fund operations. However, the Company may not be able to raise capital with terms acceptable to the company. Without additional funds, the Company may be forced to delay, scale back or eliminate some of its research and development activities, or other operations and potentially delay product development in an effort to provide sufficient funds to continue its operations. If any of these events occurs, the Company's ability to achieve its development and commercialization goals would be adversely affected. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

Interim financial statements

The unaudited condensed consolidated interim financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") for interim financial information and the instructions to Form 10-Q and Article 8 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included.

The condensed consolidated balance sheet as of December 31, 2017 contained herein has been derived from audited financial statements.

Operating results for the three and six months ended June 30, 2018 are not necessarily indicative of results that may be expected for the year ending December 31, 2018. These condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto for the year ended December 31, 2017 included in the Company's Annual Report on Form 10-K, filed with the Securities and Exchange Commission ("SEC") on March 9, 2018.

Recent accounting pronouncements

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-02, Leases as amended (Topic 842). Under the new guidance, lessees will be required to recognize the following for all leases (with the exception of short-term leases) at the commencement date: a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. Public business entities should apply the amendments in ASU 2016-02 for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Early application is permitted. Lessees (for capital and operating leases) must apply a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. The modified retrospective approach would not require any transition accounting for leases that expired before the earliest comparative period presented. Lessees may not apply a full retrospective transition approach. The Company is currently evaluating the impact of adopting this guidance.

On January 1, 2018, the Company adopted ASU No. 2017-09, "Compensation—Stock Compensation – Scope of Modification Accounting". ASU No. 2017-09 provides guidance about which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting. The adoption of ASU No. 2017-09 had no impact on the Company's consolidated financial statements.

Risks and uncertainties

The Company's primary efforts are devoted to conducting research and development of innovative pharmaceutical and biological products to address public health challenges. The Company has experienced net losses and negative cash flows from operations since inception and expects these conditions to continue for the foreseeable future. Further, the Company does not have any commercial products available for sale and has not generated revenues, and there is no assurance that if its products are approved for sale, that the Company will be able to generate cash flow to fund operations. In addition, there can be no assurance that the Company's research and development will be successfully completed or that any product will be approved or commercially viable.

Use of estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of expenses during the reporting period. Actual results could differ from those estimates. Significant estimates include the useful life of fixed assets, assumptions used in the fair value of stock-based compensation and other equity instruments, and the percent of completion of research and development contracts.

Cash equivalents and restricted cash

The Company considers cash equivalents to be those investments which are highly liquid, readily convertible to cash and have an original maturity of three months or less when purchased. At June 30, 2018 and December 31, 2017, cash equivalents, which consisted of money market funds, amounted to $12.4 million and $17.3 million, respectively. Restricted cash at June 30, 2018 and December 31, 2017 of approximately $89,000, collateralizes a letter of credit issued in connection with the lease of office space in New York City (see Note 8). During the fourth quarter of 2017, the Company adopted ASU 2016-18, "Statement of Cash Flows (Topic 230): Restricted Cash" and have applied a retrospective approach. Certain balances have been reclassified on the consolidated cash flow statement in accordance with this adoption.

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the consolidated balance sheets that sum to the total of the same amounts shown in the consolidated statement of cash flow:

	June 30, 2018	December 31, 2017
	(in thousands)	
Cash and cash equivalents	$ 16,679	$ 25,496
Restricted cash	89	89
Total	$ 16,768	$ 25,585

Property and equipment

Property and equipment are stated at cost, less accumulated depreciation. Depreciation is calculated using the straight-line method over the asset's estimated useful life, which is three years for computer assets, five years for furniture and all other equipment and term of lease for leasehold improvements. Expenditures for maintenance and repairs are expensed as incurred. Depreciation and amortization expense for the three and six months ended June 30, 2018 was $15,000 and $30,000, respectively, and $16,000 and $34,000, respectively, for the three and six months ended June 30, 2017. All property and equipment is located in the United States.

Intangible asset with indefinite lives

During the year ended December 31, 2015, the Company purchased certain internet domain rights, which were determined to have an indefinite life. Identifiable intangibles with indefinite lives are not amortized but are tested for impairment annually or whenever events or changes in circumstances indicate that its carrying amount may be less than fair value. As of June 30, 2018, the Company believed that no impairment existed.

Research and development costs

The Company outsources certain of its research and development efforts and expenses these costs as incurred, including the cost of manufacturing products for testing, as well as licensing fees and costs associated with planning and conducting clinical trials. The value ascribed to patents and other intellectual property acquired has been expensed as research and development costs, as such property related to particular research and development projects and had no alternative future uses.

The Company estimates its expenses resulting from its obligations under contracts with vendors, clinical research organizations and consultants and under clinical site agreements in connection with conducting clinical trials. The financial terms of these contracts are subject to negotiations, which vary from contract to contract and may result in payment flows that do not match the periods over which materials or services are provided under such contracts. The Company accounts for trial expenses according to the timing of various aspects of the trial. The Company determines accrual estimates taking into account discussion with applicable personnel and outside service providers as to the progress or state of consummation of trials, or the services completed.

During the course of a clinical trial, the Company adjusts its clinical expense recognition if actual results differ from its estimates. The Company makes estimates of its accrued expenses as of each balance sheet date based on the facts and circumstances known to it at that time. The Company's clinical trial accruals are dependent upon the timely and accurate reporting of contract research organizations and other third-party vendors.

Stock-based compensation

All stock-based payments to employees and to nonemployee directors for their services as directors, including grants of restricted stock units ("RSUs"), and stock options, are measured at fair value on the grant date and recognized in the condensed consolidated statements of operations as compensation or other expense over the relevant service period.

Stock-based payments to nonemployees are recognized as an expense over the period of performance. Such payments are measured at fair value at the earlier of the date a performance commitment is reached, or the date performance is completed. In addition, for awards that vest immediately and are non-forfeitable, the measurement date is the date the award is issued.

Foreign currency translation

Operations of the Canadian subsidiary are conducted in local currency, which represents its functional currency. The U.S. dollar is the functional currency of the other foreign subsidiaries. Balance sheet accounts of the Canadian subsidiary were translated from foreign currency into U.S. dollars at the exchange rate in effect at the balance sheet date and income statement accounts were translated at the average rate of exchange prevailing during the period. Translation adjustments resulting from this process were included in accumulated other comprehensive income (loss) on the consolidated balance sheets.

Comprehensive income (loss)

Comprehensive income (loss) is defined as the change in equity of a business during a period from transactions and other events and circumstances from non-owner's sources. It includes all changes in equity during a period except those resulting from investments by owners and distributions to owners. Other comprehensive income (loss) represents foreign currency translation adjustments. All other comprehensive represents foreign currency translation adjustments.

Income taxes

Deferred income tax assets and liabilities are determined based on the estimated future tax effects of net operating loss and credit carryforwards and temporary differences between the tax basis of assets and liabilities and their respective financial reporting amounts measured at the current enacted tax rates. The Company records a valuation allowance on its deferred income tax assets if it is not more likely than not that these deferred income tax assets will be realized.

The Company recognizes a tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. The tax benefits recognized in the consolidated financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. As of June 30, 2018, the Company has not recorded any unrecognized tax benefits.

Per share data

Basic and diluted net loss per common share is calculated by dividing net loss, by the weighted average number of outstanding shares of common stock, adjusted to give effect to the 1-for-10 reverse stock split, which was effected on March 17, 2017 (see Note 4).

As of June 30, 2018, and 2017, there were outstanding warrants to purchase an aggregate of 685,593 and 731,194 shares, respectively, of the Company's common stock. In addition, the Company has issued to employees, directors and consultants, options to acquire shares of the Company's common stock, of which 1,406,358 and 433,458 were outstanding at June 30, 2018 and 2017, respectively, and restricted stock units issued to non-employee directors to acquire shares of the Company's common stock of which 0 and 1,500 were outstanding at June 30, 2018 and 2017, respectively (see Note 6). In computing diluted net loss per share for the three and six months ended June 30, 2018 and 2017, no effect has been given to such options, warrants and restricted stock units as their effect would be anti-dilutive.

NOTE 3 – FAIR VALUE MEASUREMENTS

Fair value measurements affect the Company's accounting for certain of its financial assets. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and is measured according to a hierarchy that includes:

Level 1: Observable inputs, such as quoted prices in active markets.

Level 2: Inputs, other than quoted prices in active markets, that are observable either directly or indirectly. Level 2 assets and liabilities include debt securities with quoted market prices that are traded less frequently than exchange-traded instruments. This category includes U.S. government agency-backed debt securities and corporate-debt securities.

Level 3: Unobservable inputs in which there is little or no market data.

As of June 30, 2018, and 2017, the Company had Level 1 quoted prices in active markets of $12.4 million and $17.3 million, respectively, consisting entirely of cash equivalents.

NOTE 4 – STOCKHOLDERS' EQUITY

On March 13, 2017, the Company filed a Certificate of Change with the Nevada Secretary of State, which was effective March 17, 2017. Pursuant to the Certificate of Change, the Company effected a 1-for-10 reverse stock split of its issued and outstanding shares of common stock, $0.001 par value, whereby 41,010,720 outstanding shares of the Company's common stock were exchanged for 4,101,072 shares of the Company's common stock. In connection with the reverse stock split, the Company issued an additional 1,034 shares of the Company's common stock due to rounding. Furthermore, pursuant to the Certificate of Change, the number of authorized shares of common stock was reduced from 150 million to 15 million. All per share amounts and number of shares in the condensed consolidated financial statements and related notes have been retroactively restated to reflect the reverse stock split. On June 16, 2017, the Company filed a Certificate of Amendment to its Articles of Incorporation with the Nevada Secretary of State increasing its authorized shares of common stock to 150 million.

NOTE 5 – SALE OF COMMON STOCK

Lincoln Park transaction

On September 28, 2017, the Company entered into a purchase agreement (the "Purchase Agreement") and a registration rights agreement (the "Registration Rights Agreement") with Lincoln Park Capital Fund, LLC ("Lincoln Park"). Pursuant to the terms of the Purchase Agreement, Lincoln Park has agreed to purchase from the Company up to $15,000,000 of its common stock (subject to certain limitations) from time to time during the term of the Purchase Agreement. Pursuant to the terms of the Registration Rights Agreement, the Company filed with the SEC a registration statement to register for resale under the Securities Act the shares that have been or may be issued to Lincoln Park under the Purchase Agreement.

Pursuant to the terms of the Purchase Agreement, at the time the Company signed the Purchase Agreement and the Registration Rights Agreement, the Company issued 73,039 shares of common stock to Lincoln Park as consideration for its commitment to purchase shares of its common stock under the Purchase Agreement. The commitment shares were valued at $300,000, recorded as an addition to equity for the issuance of the common stock and treated as a reduction to equity as a cost of capital to be raised under the Purchase Agreement.

During the six months ended June 30, 2018, the Company sold 630,000 shares of common stock under the Purchase Agreement, resulting in net proceeds of $1.8 million, net of expenses of approximately $45,000.

Subsequent to quarter-end, the Company sold an aggregate of 90,000 shares of common stock under the Purchase Agreement, resulting in gross proceeds of $0.1 million.

At-the-market offering

On May 1, 2018, the Company entered into a sales agreement (the "2018 Sales Agreement") with Cowen and Company, LLC ("Cowen"), as sales agent, pursuant to which the Company could have, from time to time, issued and sold common stock with an aggregate value of up to $9.5 million in at-the-market ("ATM") sales. On the same day, the Company filed a prospectus supplement under its existing shelf registration relating to the 2018 Sales Agreement. Cowen acted as sole sales agent for any sales made under the 2018 Sales Agreement for a 3% commission on gross proceeds. The Company's common stock was sold at prevailing market prices at the time of the sale, and, as a result, prices varied. During the quarter ended June 30, 2018, the Company sold an aggregate of 359,097 shares of common stock using the ATM, resulting in net proceeds of $1.6 million, net of expenses of approximately $50,000 of Cowen's commission.

Subsequent to quarter-end, the Company sold an aggregate of 603,294 shares of common stock resulting in net proceeds of approximately $1.9 million, net of expenses of approximately $59,000 of Cowen's commission.

April 2017 financing

On March 30, 2017, the Company entered into an underwriting agreement with Aegis Capital Corp., as representative of the several underwriters (collectively, the "2017 Underwriters"), relating to the issuance and sale of 1,800,000 shares of the Company's common stock, in an underwritten public offering (the "April 2017 Financing"). The public offering price for each share of common stock was $4.45. The Company granted the 2017 Underwriters an option to purchase up to an additional 270,000 shares of common stock to cover over-allotments, if any.

The April 2017 Financing closed on April 4, 2017. The 2017 Underwriters purchased the shares at a seven percent discount to the public offering price, for an aggregate discount of $0.6 million (or $0.31 per share). The Company also incurred offering expenses of approximately $0.2 million. The Company received net proceeds of approximately $7.2 million. On April 13, 2017, the 2017 Underwriters fully exercised the over-allotment option and purchased 270,000 shares of common stock for net proceeds of approximately $1.1 million, net of an aggregate discount of $0.1 million (or $0.31 per share).

NOTE 6 – STOCK-BASED COMPENSATION

2017 Stock Incentive Plan

On June 16, 2017, the Company's stockholders approved the Tonix Pharmaceuticals Holding Corp. 2017 Stock Incentive Plan (the "2017 Plan" and together with the 2012 Incentive Stock Option Plan, 2014 Incentive Stock Option Plan and the 2016 Stock Incentive Plan, the "Prior Plans"). Under the terms of the 2017 Plan, the Company could have issued (1) stock options (incentive and nonstatutory), (2) restricted stock, (3) SARs, (4) RSUs, (5) other stock-based awards, and (6) cash-based awards. The 2017 Plan provided for the issuance of up to 1,280,000 shares of common stock. With the adoption of the 2018 Plan (as defined below), no further grants may be made under the Prior Plans.

2018 Stock Incentive Plan

On June 8, 2018, the Company's stockholders approved the Tonix Pharmaceuticals Holding Corp. 2018 Stock Incentive Plan (the "2018 Plan" and together with the Prior Plans, the "Plans"). As a result of adoption of the 2018 Plan by the stockholders, no further grants may be made under the Prior Plans.

Under the terms of the 2018 Plan, the Company may issue (1) stock options (incentive and nonstatutory), (2) restricted stock, (3) SARs, (4) RSUs, (5) other stock-based awards, and (6) cash-based awards. The 2018 Plan provides for the issuance of up to 1,320,000 shares of common stock, which amount was (a) reduced by awards granted under the Prior Plans after March 1, 2018, and (b) will be increased to the extent that awards granted under the Plans are forfeited, expire or are settled for cash (except as otherwise provided in the 2018 Plan). In terms of calculating how many shares are reduced or increased based on activity under the Prior Plans after March 1, 2018, the calculation shall be based on one share for every one share that was subject to an option or SAR and 1.23 shares for every one share that was subject to an award other than an option or SAR. The Board of Directors determines the exercise price, vesting and expiration period of the grants under the 2018 Plan. However, the exercise price of an incentive stock option may not be less than 110% of fair value of the common stock at the date of the grant for a 10% or more shareholder and 100% of fair value for a grantee who is not a 10% shareholder. The fair value of the common stock is determined based on quoted market price or in absence of such quoted market price, by the Board of Directors in good faith. Additionally, the expiration period of grants under the 2018 Plan may not more than ten years. The Company reserved 1,320,000 shares of its common stock for future issuance under the terms of the 2018 Plan. As of June 30, 2018, 1,150,000 shares were available for future grants under the 2018 Plan.

General

A summary of the stock option activity and related information for the Plans for the six months ended June 30, 2018 is as follows:

	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding at January 1, 2018	401,724	$ 39.81	8.35	$
Grants	1,004,634	$ 3.79		$
Exercised	—			
Forfeitures or expirations	—	—		
Outstanding at June 30, 2018	1,406,358	$ 14.08	9.07	$ 705,284
Vested and expected to vest at June 30, 2018	1,406,358	$ 14.08	9.07	$ 705,284
Exercisable at June 30, 2018	323,673	$ 44.43	7.34	$ 47,850

The aggregate intrinsic value in the preceding table represents the total pretax intrinsic value, based on options with an exercise price less than the Company's closing stock price at the respective dates.

The weighted average fair value of options granted during the three and six months ended 2018 was $3.29 per share and $2.81 per share, respectively. The weighted average fair value of options granted during the three and six months ended 2017 was $2.73 per share and $2.93 per share, respectively.

The Company measures the fair value of stock options on the date of grant, based on a Binomial option pricing model using certain assumptions discussed below, and the closing market price of the Company's common stock on the date of the grant. For employees and directors, the fair value of the award is measured on the grant date and for non-employees, the fair value of the award is generally re-measured on vesting dates and interim financial reporting dates until the service period is complete. Most stock options granted pursuant to the Plans typically vest 1/3rd 12 months from the date of grant and 1/36th each month thereafter for 24 months and expire ten years from the date of grant. In addition, the Company issues options to directors which vest over a one-year period. In addition, the Company also issues performance-based options to executive officers, which options vest when the target parameters are met, and premium options which have an exercise price greater than the grant date fair value, subject in each case to a one year minimum service period prior to vesting. Stock-based compensation expense related to awards is amortized over the applicable vesting period using the straight-line method.

The assumptions used in the valuation of stock options granted during the six months ended June 30, 2018 and 2017 were as follows:

	Six Months Ended June 30, 2018	Six Months Ended June 30, 2017
Risk-free interest rate	2.54% to 2.81%	1.77% to 2.29%
Expected term of option	4.50 to 7.00 years	5.00 to 7.91 years
Expected stock price volatility	99.65% to 102.00%	76.61% to 77.36%
Expected dividend yield	0.0%	0.0%

The risk-free interest rate is based on the yield of Daily U.S. Treasury Yield Curve Rates with terms equal to the expected term of the options as of the grant date. The expected term of options is determined using the simplified method, as provided in an SEC Staff Accounting Bulletin, and the expected stock price volatility is based on comparable companies' historical stock price volatility since the Company does not have sufficient historical exercise or volatility data because its equity shares have been publicly traded for only a limited period of time.

Stock-based compensation expense relating to options granted of $0.4 million and $0.8 million was recognized for the three and six-month periods ended June 30, 2018, respectively, and $0.5 million and $1.0 million was recognized for the three and six-month periods ended June 30, 2017, respectively.

As of June 30, 2018, the Company had approximately $2.8 million of total unrecognized compensation cost related to non-vested awards granted under the Plans, which the Company expects to recognize over a weighted average period of 2.13 years.

2014 Employee Stock Purchase Plan

On June 9, 2014, the Company's stockholders approved the Tonix Pharmaceuticals Holdings Corp. 2014 Employee Stock Purchase Plan (the "2014 ESPP"). As a result of adoption of the 2018 Plan by the stockholders, no further grants may be made under the 2014 ESPP.

2018 Employee Stock Purchase Plan

On June 8, 2018, the Company's stockholders approved the Tonix Pharmaceuticals Holdings Corp. 2018 Employee Stock Purchase Plan (the "2018 ESPP"). As a result of adoption of the 2018 Plan by the stockholders, no further grants may be made under the Prior Plan.

The 2018 ESPP allows eligible employees to purchase up to an aggregate of 300,000 shares of the Company's common stock. Under the 2018 ESPP, on the first day of each offering period, each eligible employee for that offering period has the option to enroll for that offering period, which allows the eligible employees to purchase shares of the Company's common stock at the end of the offering period. Each offering period under the 2018 ESPP is for six months, which can be modified from time-to-time. Subject to limitations, each participant will be permitted to purchase a number of shares determined by dividing the employee's accumulated payroll deductions for the offering period by the applicable purchase price, which is equal to 85 percent of the fair market value of our common stock at the beginning or end of each offering period, whichever is less. 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 2018 ESPP, subject to the statutory limit under the Code. As of June 30, 2018, there were 300,000 shares available for future issuance under the 2018 ESPP.

Restricted stock units

In February 2017, a total of 5,625 RSUs vested that were granted to our non-employee directors for board services in 2016, in lieu of cash, with a one-year vesting from the grant date and a fair value of $38.10 at the date of grant. 5,625 shares of the Company's common stock were issued upon the vesting of such RSUs during the three months ended March 31, 2017.

In May 2017, a total of 5,625 RSUs vested that were granted to our non-employee directors for board services in 2016, in lieu of cash, with a one-year vesting from the grant date and a fair value of $22.90 at the date of grant. 4,875 shares of the Company's common stock were issued upon the vesting of such RSU's during the year ended December 31, 2017. The remaining 750 shares of common stock were issued during the three months ended March 31, 2018.

Stock-based compensation expense related to RSU grants was $21,000 and $72,000 for the three and six months ended June 30, 2017, respectively. There is no stock-based compensation related to RSU's in 2018.

NOTE 7 – STOCK WARRANTS

The following table summarizes information with respect to outstanding warrants to purchase common stock of the Company at June 30, 2018:

Exercise Price	Number Outstanding	Expiration Date
$ 6.30	544,000	October 2021
$ 6.90	47,361	October 2021
$ 42.50	91,898	August 2018
$ 250.00	2,334	January 2019 to February 2019
	685,593	

During the six months ended June 30, 2018, 1,080 warrants with an exercise price of $120.00 expired.

NOTE 8 – COMMITMENTS

Research and development contracts

The Company has entered into contracts with various contract research organizations with outstanding commitments aggregating approximately $10.1 million at June 30, 2018 for future work to be performed. Following the orderly closing of the HONOR study, the Company expects its outstanding commitments to decrease in the near term.

Operating leases

As of June 30, 2018, future minimum lease payments were as follows (in thousands):

Year Ending December 31,	
2018	$ 227
2019	181
	$ 408

Defined contribution plan

The Company has a qualified defined contribution plan (the "401(k) Plan") pursuant to Section 401(k) of the Code, whereby all eligible employees may participate. Participants may elect to defer a percentage of their annual pretax compensation to the 401(k) Plan, subject to defined limitations. The Company is required to make contributions to the 401(k) Plan equal to 100 percent of each participant's pretax contributions of up to six percent of his or her eligible compensation, and the Company is also required to make a contribution equal to six percent of each participant's salary, on an annual basis, subject to limitations under the Code. The Company charged operations $31,000 and $62,000 for the three and six months ended June 30, 2018, respectively, and $16,000 and $32,000 for the three and six months ended June 30, 2017, respectively, for contributions under the 401(k) Plan.

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

This Management's Discussion and Analysis of Financial Condition and Results of Operations includes a number of forward-looking statements that reflect Management's current views with respect to future events and financial performance. You can identify these statements by forward-looking words such as "may" "will," "expect," "anticipate," "believe," "estimate" and "continue," or similar words. Those statements include statements regarding the intent, belief or current expectations of us and members of its management team as well as the assumptions on which such statements are based. Prospective investors are cautioned that any such forward-looking statements are not guarantees of future performance and involve risk and uncertainties, and that actual results may differ materially from those contemplated by such forward-looking statements.

Readers are urged to carefully review and consider the various disclosures made by us in this report and in our other reports filed with the Securities and Exchange Commission. Important factors known to us could cause actual results to differ materially from those in forward-looking statements. We undertake no obligation to update or revise forward-looking statements to reflect changed assumptions, the occurrence of unanticipated events or changes in the future operating results over time. We believe that its assumptions are based upon reasonable data derived from and known about our business and operations. No assurances are made that actual results of operations or the results of our future activities will not differ materially from its assumptions. Factors that could cause differences include, but are not limited to: substantial competition; our possible need for additional financing; uncertainties of patent protection and litigation; uncertainties of government or third party payor reimbursement; limited research and development efforts and dependence upon third parties; and risks related to failure to obtain clearances or approvals from the United States Food and Drug Administration, or FDA, and noncompliance with FDA regulations.

Business Overview

We are a clinical-stage biopharmaceutical company focused on discovering and developing pharmaceutical products to treat serious neuropsychiatric conditions and to improve biodefense through the development of potential medical counter-measures. Our most advanced drug development program is focused on delivering a safe and effective long-term treatment for posttraumatic stress disorder, or PTSD. PTSD is characterized by chronic disability, inadequate treatment options, high utilization of healthcare services, and significant economic burden. We have assembled a management team with significant industry experience to lead the development of our product candidates. We complement our management team with a network of scientific, clinical, and regulatory advisors that includes recognized experts in the fields of PTSD, other central nervous system disorders and biodefense.

Our lead product candidate, Tonmya®, or TNX-102 SL, a proprietary low-dose cyclobenzaprine, or CBP, sublingual tablet, designed for bedtime administration, is in Phase 3 development as a potential treatment for PTSD and designated by the FDA as a Breakthrough Therapy. Based on the outcome of the interim analysis of the Phase 3 HONOR study for Tonmya in July 2018, we have terminated the HONOR study due to inadequate separation from placebo on the primary endpoint at week 12. However, meaningful improvement in overall PTSD symptoms was observed at week 4. We plan to meet with the FDA in October 2018 to discuss the HONOR results and our proposal to conduct a new Phase 3 study using a modified trial design. The FDA has conditionally accepted the proposed trade name Tonmya for TNX-102 SL for the treatment of PTSD. TNX-102 SL is also being developed as a treatment for agitation in Alzheimer's disease, or AAD, under a separate Investigational New Drug, or IND, application, which has been cleared to support a Phase 2, potential pivotal efficacy study. The AAD IND has been granted Fast Track development status by the FDA. Our development pipeline also includes: TNX-601 (tianeptine oxalate), a pre-IND candidate, designed for daytime administration as a potential treatment of PTSD and for cognitive dysfunction associated with steroid use; TNX-801, a potential smallpox-preventing vaccine based on a live synthetic version of horsepox virus, or HPXV; TNX-301, an IND candidate for the treatment of alcohol use disorder, or AUD; and TNX-701, a biodefense development program for protection from radiation injury. We hold worldwide development and commercialization rights to all of our product candidates.

Current Operating Trends

Our current research and development efforts are focused on developing Tonmya for the treatment of PTSD and TNX-102 SL for the treatment of agitation in Alzheimer's Disease, but we also expend effort on our other pipeline programs, primarily related to TNX-601 and TNX-801. Our research and development expenses consist of manufacturing work and the cost of drug ingredients used in such work, fees paid to consultants for work related to clinical trial design and regulatory activities, fees paid to providers for conducting various clinical studies as well as for the analysis of the results of such studies, and for other medical research addressing the potential efficacy and safety of our drugs. We believe that significant investment in product development is a competitive necessity, and we plan to continue these investments in order to be in a position to realize the potential of our product candidates and proprietary technologies.

We expect that all of our research and development expenses in the near-term future will be incurred in support of our current and future preclinical and clinical development programs rather than technology development. These expenditures are subject to numerous uncertainties relating to timing and cost to completion. We test compounds in numerous preclinical studies for safety, toxicology and efficacy. At the appropriate time, subject to the approval of regulatory authorities, we expect to conduct early-stage clinical trials for each drug candidate. We anticipate funding these trials ourselves, and possibly with the assistance of federal grants, contracts or other agreements. As we obtain results from trials, we may elect to discontinue or delay clinical trials for certain products in order to focus our resources on more promising products. Completion of clinical trials may take several years, and the length of time generally varies substantially according to the type, complexity, novelty and intended use of a product candidate.

The commencement and completion of clinical trials for our products may be delayed by many factors, including lack of efficacy during clinical trials, unforeseen safety issues, slower than expected participant recruitment, lack of funding or government delays. In addition, we may encounter regulatory delays or rejections as a result of many factors, including results that do not support the intended safety or efficacy of our product candidates, perceived defects in the design of clinical trials and changes in regulatory policy during the period of product development. As a result of these risks and uncertainties, we are unable to accurately estimate the specific timing and costs of our clinical development programs or the timing of material cash inflows, if any, from our product candidates. Our business, financial condition and results of operations may be materially adversely affected by any delays in, or termination of, our clinical trials or a determination by the FDA that the results of our trials are inadequate to justify regulatory approval, insofar as cash in-flows from the relevant drug or program would be delayed or would not occur.

Results of Operations

We anticipate that our results of operations will fluctuate for the foreseeable future due to several factors, such as the progress of our research and development efforts and the timing and outcome of regulatory submissions. Due to these uncertainties, accurate predictions of future operations are difficult or impossible to make.

Three Months Ended June 30, 2018 Compared to Three Months Ended June 30, 2017

Research and Development Expenses. Research and development expenses for the three months ended June 30, 2018 were $4.1 million, an increase of $1.3 million, or 46%, from $2.8 million for the three months ended June 30, 2017. This increase is predominately due to the continued development work related to the PTSD program which resulted in a $1.1 million increase in clinical expenses. Additionally, for the three months ended June 30, 2017, we received an insurance refund of $0.2 million, which was not received in 2018.

General and Administrative Expenses. General and administrative expenses for the three months ended June 30, 2018 were $2.1 million, an increase of $0.1 million, or 5%, from $2.0 million incurred in the three months ended June 30, 2017. The increase in primarily due to an increase in legal fees of $0.1 million due to increased patent prosecution costs and an increase in investor and public relations expenses of $0.1 million due to increased investor meetings, offset by a decrease in compensation-related expenses including decreases in cash and stock-based compensation of $0.1 million as a result of a reduction in personnel.

Net Loss. As a result of the forgoing, the net loss for the three months ended June 30, 2018 was $6.1 million, compared to a net loss of $4.8 million for the three months ended June 30, 2017.

Six Months Ended June 30, 2018 Compared to Six Months Ended June 30, 2017

Research and Development Expenses. Research and development expenses for the six months ended June 30, 2018 were $9.2 million, an increase of $3.4 million, or 59%, from $5.8 million for the six months ended June 30, 2017. This increase is predominately due to the continued development work related to the PTSD program which resulted in a $3.4 million increase in clinical expenses.

General and Administrative Expenses. General and administrative expenses for the six months ended June 30, 2018 were $3.9 million, a decrease of $0.2 million, or 5%, from $4.1 million incurred in the six months ended June 30, 2017. This decrease is primarily due to a reduction in compensation-related expenses including decreases in cash and stock-based compensation of $0.1 million and $0.2 million, respectively, as a result of a reduction in personnel, offset by higher insurance premiums of $0.1 million in 2018.

Net Loss. As a result of the foregoing, the net loss for the six months ended June 30, 2018 was $13.0 million, compared to a net loss of $9.8 million for the six months ended June 30, 2017.

Liquidity and Capital Resources

As of June 30, 2018, we had working capital of $15.6 million, comprised primarily of cash and cash equivalents of $16.7 million, restricted cash of $0.1 million and prepaid expenses and other of $1.4 million, which was offset by $1.6 million of accounts payable and $0.9 million of accrued expenses. A significant portion of the accounts payable and accrued expenses are due to work performed in relation to our ongoing HONOR study. For the six months ended June 30, 2018 and 2017, we used approximately $12.3 million and $9.2 million of cash in operating activities, respectively, which represents cash outlays for research and development and general and administrative expenses in such periods. The increase in cash outlays principally resulted from an increase in clinical activities. For the six months ended June 30, 2018, net proceeds from financing activities were from the sale of our common stock of approximately $3.5 million. In the comparable 2017 period, approximately $17.4 million was raised through the sale of shares of common stock.

Cash provided by investing activities for the six months ended June 30, 2017 was approximately $7.2 million, related to the maturity of marketable securities.

At-the-Market Offering

On May 1, 2018, we filed a shelf registration statement on Form S-3 with the Securities and Exchange Commission which allows us to offer, issue and sell from time to time together or separately, in one or more offerings, any combination of (i) our common stock, (ii) our preferred stock, which we may issue in one or more series, (iii) warrants, (iv) and units, consisting of any combination of the securities listed above. We will describe in a prospectus supplement the securities we are offering and selling, as well as the specific terms of the securities. The aggregate public offering price of the securities that we may offer from time to time pursuant to the shelf registration statement will not exceed $75 million. We will offer the securities in an amount and on terms that market conditions will determine at the time of the offering.

Also, on May 1, 2018, we entered into a sales agreement, or Sales Agreement, with Cowen and Company, LLC., or Cowen, pursuant to which we may issue and sell, from time to time, shares of our common stock having an aggregate offering price of up to $9.5 million in at-the-market offerings. Cowen will be acting as sales agent and be paid a 3% commission on each sale under the Sales Agreement.

During the quarter ended June 30, 2018, we sold an aggregate of 359,097 shares of common stock using the ATM, resulting in net proceeds of $1.6 million, net of expenses of approximately $50,000 of Cowen's commission.

Subsequent to quarter-end, we sold an aggregate of 603,294 shares of common stock resulting in net proceeds of approximately $1.9 million, net of expenses of approximately $59,000 of Cowen's commission.

Lincoln Park Transaction

On September 28, 2017, we entered into a purchase agreement (the "Purchase Agreement") and a registration rights agreement (the "Registration Rights Agreement") with Lincoln Park Capital Fund, LLC ("Lincoln Park"). Pursuant to the terms of the Purchase Agreement, Lincoln Park has agreed to purchase from us up to $15,000,000 of our common stock (subject to certain limitations) from time to time during the term of the Purchase Agreement. Pursuant to the terms of the Registration Rights Agreement, we filed with the SEC a registration statement to register for resale under the Securities Act the shares that have been or may be issued to Lincoln Park under the Purchase Agreement.

Pursuant to the terms of the Purchase Agreement, at the time we signed the Purchase Agreement and the Registration Rights Agreement, we issued 73,039 shares of common stock to Lincoln Park as consideration for its commitment to purchase shares of our common stock under the Purchase Agreement. The commitment shares were valued at $300,000, recorded as an addition to equity for the issuance of the common stock and treated as a reduction to equity as a cost of capital to be raised under the Purchase Agreement.

Regular Purchases

Under the Purchase Agreement, on any business day selected by us, we may direct Lincoln Park to purchase up to 30,000 shares of our common stock on any such business day (a "Regular Purchase"), provided, however, that (i) the Regular Purchase may be increased to up to 40,000 shares, provided that the closing sale price is not below $5.00 on the purchase date, (ii) the Regular Purchase may be increased to up to 50,000 shares, provided that the closing sale price is not below $6.00 on the purchase date, (iii) the Regular Purchase may be increased to up to 60,000 shares, provided that the closing sale price is not below $7.50 on the purchase date, (iv) the Regular Purchase may be increased to up to 70,000 shares, provided that the closing sale price is not below $10.00 on the purchase date, and (v) we may direct Lincoln Park to purchase shares in a Regular Purchase only if at least one business day has passed since the most recent Regular Purchase, as applicable, was completed. In each case, the maximum amount of any single Regular Purchase may not exceed $1,000,000 per purchase.

Accelerated Purchases

In addition to Regular Purchases described above, we may also direct Lincoln Park, on any business day on which we have properly submitted a Regular Purchase notice and the closing sale price of our common stock is not below $3.00 (subject to adjustment for any reorganization, recapitalization, non-cash dividend, stock split, reverse stock split or other similar transaction as provided in the Purchase Agreement), to purchase an additional amount of our common stock on the next business day (an "Accelerated Purchase"), not to exceed the lesser of:

- 30% of the aggregate shares of our common stock traded during normal trading hours on the purchase date; and
- Three (3) times the number of purchase shares purchased pursuant to the corresponding Regular Purchase.

Initial Purchase

In addition to the Regular Purchases described above, we had the option, on the first day that we were able to begin selling shares to Lincoln Park under the Purchase Agreement, to direct Lincoln Park to purchase up to 300,000 shares (the "Initial Purchase"), provided, however, that Lincoln Park's committed obligation under the Initial Purchase could not exceed $1,000,000. Lincoln Park made an initial purchase of 218,340 shares.

Additional Purchases

In addition to the Regular Purchases, Accelerated Purchases and the Initial Purchase described above, from time to time we may also direct Lincoln Park, on any business day that the closing price of ours common stock is not below $3.00, to purchase additional amounts of its common stock (an "Additional Purchase"), provided, however, that (i) we may direct Lincoln Park to purchase shares in an Additional Purchase only if at least 15 business days have passed since the most recent Additional Purchase, as applicable, was completed, (ii) we may direct Lincoln Park to purchase shares in an Additional Purchase only if at least 30 business days have passed since the Initial Purchase, if exercised, was completed, (iii) Lincoln Park's committed obligation under any single Additional Purchase shall not exceed $500,000, and (iv) Lincoln Park's committed obligation under all Additional Purchases shall not exceed $2,000,000 in the aggregate.

During the six months ended June 30, 2018, we have sold an aggregate of 630,000 shares of common stock, under the Purchase Agreement, for gross proceeds of approximately $1.9 million, and from inception of the Purchase Agreement, we have sold an aggregate of 878,340 shares of common stock, for gross proceeds of approximately $3.0 million.

Subsequent to quarter-end, we sold an aggregate of 90,000 shares of common stock under the Purchase Agreement, resulting in gross proceeds of approximately $0.1 million.

April 2017 Financing

On March 30, 2017, we entered into an underwriting agreement with Aegis Capital Corp., as representative of the several underwriters (collectively, the "2017 Underwriters"), relating to the issuance and sale of 1,800,000 shares of our common stock, in an underwritten public offering (the "April 2017 Financing"). The public offering price for each share of common stock was $4.45. We granted the 2017 Underwriters an option to purchase up to an additional 270,000 shares of common stock to cover over-allotments, if any.

The April 2017 Financing closed on April 4, 2017. The 2017 Underwriters purchased the shares at a seven percent discount to the public offering price, for an aggregate discount of $0.6 million (or $0.31 per share). We incurred offering expenses of approximately $0.2 million. We received net proceeds of approximately $7.2 million. On April 13, 2017, the 2017 Underwriters fully exercised the over-allotment option and purchased 270,000 shares of common stock for net proceeds of approximately $1.1 million, net of an aggregate discount of $0.1 million (or $0.31 per share).

Future Liquidity Requirements

We expect to incur losses from operations for the near future. Following the orderly closing of the HONOR study, we expect our research and development expenses to decrease in the near term. We believe that our cash resources will be sufficient to meet our projected operating requirements through the end of June 30, 2019, but we will not have enough resources to meet our operating requirements for the one-year period from the date of this report.

Our future capital requirements will depend on a number of factors, including the progress of our research and development of product candidates, the timing and outcome of regulatory approvals, the costs involved in preparing, filing, prosecuting, maintaining, defending and enforcing patent claims and other intellectual property rights, the status of competitive products, the availability of financing and our success in developing markets for our product candidates.

We will need to obtain additional capital in order to fund future research and development activities. Future financing may include the issuance of equity or debt securities, obtaining credit facilities, or other financing mechanisms. Even if we are able to raise the funds required, it is possible that we could incur unexpected costs and expenses, fail to collect significant amounts owed to us, or experience unexpected cash requirements that would force us to seek alternative financing. Furthermore, if we issue additional equity or debt securities, shareholders may experience additional dilution or the new equity securities may have rights, preferences or privileges senior to those of existing holders of our common stock.

If additional financing is not available or is not available on acceptable terms, we may be required to delay, reduce the scope of or eliminate our research and development programs, reduce our commercialization efforts or obtain funds through arrangements with collaborative partners or others that may require us to relinquish rights to certain product candidates that we might otherwise seek to develop or commercialize independently.

Stock Compensation

Stock Options

We have issued awards under our 2012 Incentive Stock Option Plan, 2014 Stock Incentive Plan, 2016 Stock Incentive Plan and 2017 Stock Incentive Plan (collectively, the "Prior Plans"). No future awards are issuable under these Prior Plans.

On June 8, 2018, our stockholders approved the Tonix Pharmaceuticals Holding Corp. 2018 Stock Incentive Plan (the "2018 Plan" and together with the Prior Plans, the "Plans"). As a result of adoption of the 2018 Plan by the stockholders, no further grants may be made under the Prior Plans.

Under the terms of the 2018 Plan, we may issue (1) stock options (incentive and nonstatutory), (2) restricted stock, (3) SARs, (4) RSUs, (5) other stock-based awards, and (6) cash-based awards. The 2018 Plan provides for the issuance of up to 1,320,000 shares of common stock, which amount was (a) reduced by awards granted under the Prior Plans after March 1, 2018, and (b) will be increased to the extent that awards granted under the Plans are forfeited, expire or are settled for cash (except as otherwise provided in the 2018 Plan). In terms of calculating how many shares are reduced or increased based on activity under the Prior Plans after March 1, 2018, the calculation shall be based on one share for every one share that was subject to an option or SAR and 1.23 shares for every one share that was subject to an award other than an option or SAR. The Board of Directors determines the exercise price, vesting and expiration period of the grants under the 2018 Plan. However, the exercise price of an incentive stock option may not be less than 110% of fair value of the common stock at the date of the grant for a 10% or more shareholder and 100% of fair value for a grantee who is not a 10% shareholder. The fair value of the common stock is determined based on quoted market price or in absence of such quoted market price, by the Board of Directors in good faith. Additionally, the expiration period of grants under the 2018 Plan may not more than ten years. We reserved 1,320,000 shares of our common stock for future issuance under the terms of the 2018 Plan. As of June 30, 2018, 1,150,000 shares were available for future grants under the 2018 Plan.

We measure the fair value of stock options on the date of grant, based on a Binomial option pricing model and the closing market price of our common stock on the date of the grant. For employees and directors, the fair value of the award is measured on the grant date and for non-employees, the fair value of the award is generally re-measured on vesting dates and interim financial reporting dates until the service period is complete. Most stock options granted pursuant to the Plans typically vest 1/3rd 12 months from the date of grant and 1/36th each month thereafter for 24 months and expire ten years from the date of grant. In addition, we issue options to directors which vest over a one-year period. In addition, we also issue performance-based options to executive officers, which options vest when the target parameters are met, subject to a one year minimum service period prior to vesting. Stock-based compensation expense related to awards is amortized over the applicable vesting period using the straight-line method.

The weighted average fair value of options granted during the three and six months ended 2018 was $3.29 per share and $2.81 per share, respectively. The weighted average fair value of options granted during the three and six months ended 2017 was $2.73 per share and $2.93 per share, respectively.

Stock-based compensation expense relating to options granted of $0.4 million and $0.8 million was recognized for the three and six-month periods ended June 30, 2018, respectively, and $0.5 million and $1.0 million was recognized for the three and six-month periods ended June 30, 2017, respectively.

As of June 30, 2018, we had approximately $2.8 million of total unrecognized compensation cost related to non-vested awards granted under the Plans, which we expect to recognize over a weighted average period of 2.13 years.

Employee Stock Purchase Plan

We have issued awards under our 2014 Employee Stock Purchase Plan (the "2014 ESPP"). No future grants may be made under the 2014 ESPP Plan.

On June 8, 2018, our stockholders approved the Tonix Pharmaceuticals Holdings Corp. 2018 Employee Stock Purchase Plan (the "2018 ESPP"). As a result of adoption of the 2018 ESPP by the stockholders, no further grants may be made under the 2014 ESPP.

The 2018 ESPP allows eligible employees to purchase up to an aggregate of 300,000 shares of our common stock. Under the 2018 ESPP, on the first day of each offering period, each eligible employee for that offering period has the option to enroll for that offering period, which allows the eligible employees to purchase shares of our common stock at the end of the offering period. Each offering period under the 2018 ESPP is for six months, which can be modified from time-to-time. Subject to limitations, each participant will be permitted to purchase a number of shares determined by dividing the employee's accumulated payroll deductions for the offering period by the applicable purchase price, which is equal to 85 percent of the fair market value of our common stock at the beginning or end of each offering period, whichever is less. 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 2018 ESPP, subject to the statutory limit under the Code. As of June 30, 2018, there were 300,000 shares available for future issuance under the 2018 ESPP.

Restricted Stock Units

In February 2017, a total of 5,625 RSUs vested that were granted to our non-employee directors for board services in 2016, in lieu of cash, with a one-year vesting from the grant date and a fair value of $38.10 at the date of grant. 5,625 shares of our common stock were issued upon the vesting of such RSU's during the quarter ended March 31, 2017.

In May 2017, a total of 5,625 RSUs vested that were granted to our non-employee directors for board services in 2016, in lieu of cash, with a one-year vesting from the grant date and a fair value of $22.90 at the date of grant. 4,875 shares of our common stock were issued upon the vesting of such RSU's during the year ended December 31, 2017. The remaining 750 shares of common stock were issued during the three months ended March 31, 2018.

Stock-based compensation expense related to RSU grants was $21,000 and $72,000 for the three and six months ended June 30, 2017, respectively. There is no stock-based compensation related to RSU's in 2018.

Commitments

Research and development contracts

We have entered into contracts with various contract research organizations with outstanding commitments aggregating approximately $10.1 million at June 30, 2018 for future work to be performed. Following the orderly closing of the HONOR study, we expect our outstanding commitments to decrease in the near term.

Lease Commitments

As of June 30, 2018, future minimum lease payments under operating leases for office space were as follows (in thousands):

Year Ending December 31,	
2018	$ 227
2019	181
	$ 408

Critical Accounting Policies and Estimates

Our discussion and analysis of our financial condition and results of operations are based on our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities and expenses. We evaluate our estimates and judgments on an ongoing basis. We base our estimates on historical experience and on assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

We believe the following critical accounting policies affect our more significant judgments and estimates used in the preparation of our consolidated financial statements.

Research and Development. We outsource our research and development efforts and expense the related costs as incurred, including the cost of manufacturing product for testing, licensing fees and costs associated with planning and conducting clinical trials. The value ascribed to patents and other intellectual property acquired was expensed as research and development costs, as it related to particular research and development projects and had no alternative future uses.

We estimate our accrued expenses. Our clinical trial accrual process is designed to account for expenses resulting from our obligations under contracts with vendors, consultants and clinical research organizations and clinical site agreements in connection with conducting clinical trials. The financial terms of these contracts are subject to negotiations, which vary from contract to contract and may result in payment flows that do not match the periods over which materials or services are provided to us under such contracts. We account for trial expenses according to the progress of the trial as measured by participant progression and the timing of various aspects of the trial. We determine accrual estimates that take into account discussions with applicable personnel and outside service providers as to the progress or state of completion of trials, or the services completed. During the course of a clinical trial, we adjust our clinical expense recognition if actual results differ from our estimates. We make estimates of our accrued expenses as of each balance sheet date based on the facts and circumstances known to us at that time. Our clinical trial accruals and prepaid assets are dependent upon the timely and accurate reporting of contract research organizations and other third-party vendors.

Stock-Based Compensation. All stock-based payments to employees and to nonemployee directors for their services as directors have consisted of grants of restricted stock and stock options, which are measured at fair value on the grant date and recognized in the condensed consolidated statements of operations as compensation expense over the relevant vesting period. Restricted stock payments to nonemployees are recognized as an expense over the period of performance. Such payments are measured at fair value at the earlier of the date a performance commitment is reached, or the date performance is completed. In addition, for awards that vest immediately and are nonforfeitable, the measurement date is the date the award is issued.

Income Taxes. Deferred income tax assets and liabilities are determined based on the estimated future tax effects of net operating loss and credit carryforwards and temporary differences between the tax basis of assets and liabilities and their respective financial reporting amounts measured at the current enacted tax rates. We record an estimated valuation allowance on its deferred income tax assets if it is not more likely than not that these deferred income tax assets will be realized. We recognized a tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. The tax benefits recognized in the consolidated financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement.

On December 22, 2017, the United States enacted tax reform legislation through the Tax Cuts and Jobs Act, which significantly changes the existing U.S. tax laws, including a reduction in the corporate tax rate from 35% to 21%, a move from a worldwide tax system to a territorial system, a change in the treatment of operating loss carryforwards as well as other changes. As a result of enactment of the legislation, the Company anticipates a one-time change to its deferred tax assets and related valuation allowance. As the Company has a full valuation allowance such change is not expected to impact the Company's results of operations or financial position. All impacts of the Tax Act have been measured in the Company's income tax provision.

Recent Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-02, Leases as amended (Topic 842). Under the new guidance, lessees will be required to recognize the following for all leases (with the exception of short-term leases) at the commencement date: a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. Public business entities should apply the amendments in ASU 2016-02 for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Early application is permitted. Lessees (for capital and operating leases) must apply a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. The modified retrospective approach would not require any transition accounting for leases that expired before the earliest comparative period presented. Lessees may not apply a full retrospective transition approach. We are currently evaluating the impact of adopting this guidance.

On January 1, 2018, we adopted ASU No. 2017-09, "Compensation—Stock Compensation – Scope of Modification Accounting". ASU No. 2017-09 provides guidance about which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting. The adoption of ASU No. 2017-09 had no impact on our consolidated financial statements.

Off-Balance Sheet Arrangements

Other than contractual obligations incurred in the normal course of business, we do not have any off-balance sheet financing arrangements or liabilities, guarantee contracts, retain or contingent interests in transferred assets or any obligation arising out of a material variable interest in an unconsolidated entity.

ITEM 3 – QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not required under Regulation S-K for "smaller reporting companies."

ITEM 4 - CONTROLS AND PROCEDURES

Evaluation of disclosure controls and procedures.

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures pursuant to Rule 13a-15 under the Securities Exchange Act of 1934 as of the end of the period covered by this Quarterly Report on Form 10-Q. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply its judgment in evaluating the benefits of possible controls and procedures relative to their costs.

Based on our evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of June 30, 2018, our disclosure controls and procedures are designed at a reasonable assurance level and are effective to provide reasonable assurance that information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in SEC rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Changes in internal control over financial reporting.

There were no changes in our internal control over financial reporting that occurred during the quarter ended June 30, 2018 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

We are currently not a party to any material legal proceedings or claims.

Item 1A. Risk Factors

Not required under Regulation S-K for "smaller reporting companies."

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

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

None.

Item 5. Other Information

None.

Item 6. Exhibits

31.01	Certification of Chief Executive Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.02	Certification of Chief Financial Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.01	Certifications of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101 INS	XBRL Instance Document
101 SCH	XBRL Taxonomy Extension Schema Document
101 CAL	XBRL Taxonomy Calculation Linkbase Document
101 LAB	XBRL Taxonomy Labels Linkbase Document
101 PRE	XBRL Taxonomy Presentation Linkbase Document
101 DEF	XBRL Taxonomy Extension Definition Linkbase Document

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

TONIX PHARMACEUTICALS HOLDING CORP.

Date: August 13, 2018

By: /s/ SETH LEDERMAN
Seth Lederman
Chief Executive Officer (Principal Executive Officer)

Date: August 13, 2018

By: /s/ BRADLEY SAENGER
Bradley Saenger
Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)

EXHIBIT 31.01

CERTIFICATION

I, Seth Lederman, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Tonix Pharmaceuticals Holding Corp.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

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

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

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

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

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

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

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

Date: August 13, 2018

/s/ SETH LEDERMAN
Seth Lederman
Chief Executive Officer

EXHIBIT 31.02

CERTIFICATION

I, Bradley Saenger, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Tonix Pharmaceuticals Holding Corp.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

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

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

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

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

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

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

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

Date: August 13, 2018

/s/ BRADLEY SAENGER
Bradley Saenger
Chief Financial Officer

Exhibit 32.01

CERTIFICATIONS OF CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER
PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Seth Lederman, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report of Tonix Pharmaceuticals Holding Corp. on Form 10-Q for the fiscal quarter ended June 30, 2018 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in this Quarterly Report on Form 10-Q fairly presents in all material respects the financial condition and results of operations of Tonix Pharmaceuticals Holding Corp.

Date: August 13, 2018

By: /s/ SETH LEDERMAN
Name: Seth Lederman
Title: *Chief Executive Officer*

I, Bradley Saenger, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report of Tonix Pharmaceuticals Holding Corp. on Form 10-Q for the fiscal quarter ended June 30, 2018 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in this Quarterly Report on Form 10-Q fairly presents in all material respects the financial condition and results of operations of Tonix Pharmaceuticals Holding Corp.

Date: August 13, 2018

By: /s/ BRADLEY SAENGER
Name: Bradley Saenger
Title: *Chief Financial Officer*