SOLIGENIX, INC.
Form 424B3
August 11, 2014

Prospectus Supplement No. 2	**Filed Pursuant to Rule 424(b)(3)**
(To Prospectus dated May 14, 2014)	**File No. 333-184762**

SOLIGENIX, INC.

4,723,357

SHARES OF COMMON STOCK UNDERLYING

PREVIOUSLY ISSUED WARRANTS AND RELATED PREFERRED STOCK PURCHASE RIGHTS

This Prospectus Supplement No. 2 (this "Prospectus Supplement") supplements the prospectus dated May 14, 2014 (the "Final Prospectus"), relating to the offer and sale by us of (i) 4,723,357 shares of common stock, par value $0.001 per share, underlying warrants previously issued by us and (ii) preferred stock purchase rights issuable in accordance with the Rights Agreement, dated June 22, 2007, between us and American Stock Transfer & Trust Company, which are attached to and trade with our common stock.

This Prospectus Supplement contains the Quarterly Report on Form 10-Q that we filed with the Securities and Exchange Commission on August 11, 2014. This Prospectus Supplement should be read in conjunction with, and may not be utilized without, the Final Prospectus, which is to be delivered with this Prospectus Supplement. This Prospectus Supplement is qualified by reference to the Final Prospectus except to the extent that the information in this Prospectus Supplement updates and supersedes the information contained in the Final Prospectus, including any supplements or amendments thereto.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

Prospectus Supplement No. 2 dated August 11, 2014.

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the Quarterly Period Ended June 30, 2014

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 No. 000-16929

____

SOLIGENIX, INC.

(Exact name of registrant as specified in its charter)

DELAWARE	**41-1505029**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

29 EMMONS DRIVE, SUITE C-10 PRINCETON, NJ	**08540**
(Address of principal executive offices)	(Zip Code)

(609) 538-8200
(Registrant's telephone number, including area code)

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of "accelerated filer" and "large accelerated filer" in Rule 112b-2 of the Exchange Act (Check one).

Large accelerated filer o Accelerated filer o Non-accelerated filer o Smaller reporting company x

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 7, 2014, 20,078,310 shares of the registrant's common stock (par value, $.001 per share) were outstanding.

SOLIGENIX, INC.

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PART I - FINANCIAL INFORMATION

ITEM 1 - Financial Statements

Soligenix, Inc. and Subsidiaries

Consolidated Balance Sheets

	June 30, 2014 (Unaudited)	December 31, 2013
Assets		
Current assets:		
Cash and cash equivalents	$5,041,332	$5,856,242
Contracts and grants receivable	465,060	867,086
Taxes receivable	-	750,356
Prepaid expenses	63,467	135,391
Total current assets	5,569,859	7,609,075
Office furniture and equipment, net	53,597	23,868
Intangible assets, net	522,479	632,512
Total assets	$6,145,935	$8,265,455
Liabilities and shareholders' deficiency		
Current liabilities:		
Accounts payable	$1,965,599	$1,520,290
Warrant liability	8,774,320	8,281,247
Accrued compensation	**70,323**	233,739
Total current liabilities	10,810,242	10,035,276
Commitments and contingencies		
Shareholders' deficiency:		
Preferred stock; 350,000 shares authorized; none issued or outstanding	-	-
Common stock, $.001 par value; 50,000,000 shares authorized; 20,001,406 shares and 19,626,439 shares issued and outstanding at June 30, 2014 and December 31, 2013, respectively	20,001	19,626
Additional paid-in capital	131,935,294	130,549,930
Accumulated deficit	(136,619,602)	(132,339,377)
Total shareholders' deficiency	**(4,664,307)**	(1,769,821)
Total liabilities and shareholders' deficiency	$6,145,935	$8,265,455

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

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Soligenix, Inc. and Subsidiaries

Consolidated Statements of Operations

For the Three and Six Months Ended June 30, 2014 and 2013

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Revenues				
Contract revenue	$892,190	$-	$1,558,497	$-
Grant revenue	526,058	632,278	770,348	1,532,632
Total Revenues	1,418,248	632,278	2,328,845	1,532,632
Cost of revenues	(1,034,584)	(527,948)	(1,663,565)	(1,271,605)
Gross profit	383,664	104,330	665,280	261,027
Operating expenses:				
Research and development	1,213,224	2,140,474	2,243,845	2,897,127
General and administrative	866,271	719,740	1,707,175	1,207,681
Total operating expenses	2,079,495	2,860,214	3,951,020	4,104,808
Loss from operations	(1,695,831)	(2,755,884)	(3,285,740)	(3,843,781)
Other income (expense):				
Change in fair value of warrant liability	746,992	(649,576)	(995,098)	(649,576)
Interest income	322	303	**613**	786
Total other income (expense)	747,314	(649,273)	(994,485)	(648,790)
Net loss	$(948,517)	$(3,405,157)	$(4,280,225)	$(4,492,571)
Basic and diluted net loss per share	$(0.05)	$(0.28)	$(0.22)	$(0.38)
Basic and diluted weighted average common shares outstanding	19,949,539	12,259,394	19,844,505	11,720,066

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

Soligenix, Inc. and Subsidiaries

Consolidated Statements of Changes in Shareholders' Deficiency

For the Six Months Ended June 30, 2014

(Unaudited)

	Common Stock		Additional Paid-In	Accumulated	
	Shares	Par Value	Capital	Deficit	Total
Balance, December 31, 2013	19,626,439	$19,626	$130,549,930	$(132,339,377)	$(1,769,821)
Issuance of common stock pursuant to Lincoln Park Equity Line	153,839	154	314,321	-	314,475
Issuance of common stock to vendors	71,000	71	153,469	-	153,540
Reclassification of warrant liability upon partial exercise of warrants issued in unit offering	-	-	502,025	-	502,025
Fair value of common stock warrants issued to vendors	-	-	4,775	-	4,775
Issuance of common stock from cashless exercise of warrants	77,889	78	(78)	-	-
Issuance of common stock to collaboration partner	43,067	43	99,959	-	100,002
Issuance of shares from exercise of stock options	29,172	29	12,974	-	13,003
Stock-based compensation expense	-	-	297,919	-	297,919
Net loss	-	-	-	(4,280,225)	(4,280,225)
Balance, June 30, 2014	20,001,406	20,001	$131,935,294	$(136,619,602)	$(4,664,307)

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

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Soligenix, Inc. and Subsidiaries

Consolidated Statements of Cash Flows

For the Six Months Ended June 30,

(Unaudited)

	2014	2013
Operating activities:		
Net loss	$(4,280,225)	$(4,492,571)
Adjustments to reconcile net loss to net cash used in operating activities:		
Amortization and depreciation	122,494	113,566
Warrants issued to vendors	4,775	-
Issuance of common stock	253,542	1,535,888
Change in fair value of warrant liability	995,098	649,576
Stock-based compensation	297,919	164,280
Change in operating assets and liabilities:		
Contract and Grants receivable	402,026	149,197
Taxes receivable	750,356	-
Prepaid expenses	71,924	(54,278)
Accounts payable	445,309	240,338
Accrued compensation	(163,415)	247,118
Total adjustments	3,180,028	3,045,685
Net cash used in operating activities	(1,100,197)	(1,446,886)
Investing activities:		
Purchases of office equipment	(42,191)	(6,014)
Net cash used in investing activities	(42,191)	(6,014)
Financing activities:		
Net proceeds from sale of common stock	-	6,216,762
Net proceeds from issuance of common stock pursuant to the equity line	314,475	-
Proceeds from exercise of stock options	13,003	7,500
Net cash provided by financing activities	327,478	6,224,262
Net increase / (decrease) in cash and cash equivalents	(814,910)	4,771,362
Cash and cash equivalents at beginning of period	5,856,242	3,356,380
Cash and cash equivalents at end of period	$5,041,332	$8,127,742
Supplemental disclosure of non cash investing and financing activities:		
Warrants issued in unit offering	$-	$4,528,255
Reclassification of warrant liability to additional paid in capital upon partial exercise of warrants issued in unit offering	$502,025	$-

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

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Soligenix, Inc.

Notes to Consolidated Financial Statements

Note 1. Nature of Business

Basis of Presentation

Soligenix, Inc. (the "Company") is a clinical stage biopharmaceutical company that was incorporated in 1987 and is focused on developing products to treat the life-threatening side effects of cancer treatments and serious gastrointestinal diseases where there remains an unmet medical need, as well as developing several biodefense vaccines and therapeutics. The Company maintains two active business segments: BioTherapeutics and Vaccines/BioDefense.

The Company's BioTherapeutics business segment is developing proprietary formulations of oral beclomethasone 17,21-dipropionate ("BDP") for the prevention/treatment of gastrointestinal ("GI") disorders characterized by severe inflammation, including pediatric Crohn's disease (SGX203), acute radiation enteritis (SGX201) and chronic Graft-versus-Host disease (orBec®), as well as developing its novel innate defense regulator ("IDR") technology (SGX942) for the treatment of oral mucositis.

The Vaccines/BioDefense business segment includes RiVax™, a ricin toxin vaccine, VeloThrax™, an anthrax vaccine, OrbeShield™, a gastrointestinal acute radiation syndrome ("GI ARS") therapeutic and SGX943, a melioidosis therapeutic. The advanced development of these programs will be supported by existing and on-going government grants and contracts, which include a National Institutes of Health ("NIH") grant for the heat stabilization technology ThermoVax™ supporting the vaccine programs, as well as contracts with the Biomedical Advanced Research and Development Authority ("BARDA") and NIAID for GI ARS. Additionally, the Company entered into a global and exclusive channel collaboration with Intrexon Corporation ("Intrexon") through which it intends to develop and commercialize a human monoclonal antibody therapy (SGX101) to treat melioidosis.

The Company generates revenues under three grants primarily from the NIH and government contracts from BARDA and NIAID.

The Company is subject to risks common to companies in the biotechnology industry including, but not limited to, development of new technological innovations, dependence on key personnel, protections of proprietary technology, compliance with the United States Food and Drug Administration (the “FDA) regulations, litigation, and product liability. Results for the three and six months ended June 30, 2014 are not necessarily indicative of results that may be expected for the full year.

Liquidity

As of June 30, 2014, the Company had cash and cash equivalents of $5,041,332 as compared to $5,856,242 as of December 31, 2013, representing a decrease of $814,910 or 14%. As of June 30, 2014, the Company had working capital of $3,533,937, which excludes a non-cash warrant liability of $8,774,320, as compared to working capital of $5,855,046, which excludes a non-cash warrant liability of $8,218,247, as of December 31, 2013, representing a decrease of $2,321,109 or 40%. The decrease is primarily related to expenditures to support the Phase 2 clinical trial of SGX942 and a decrease in taxes receivable.

Based on the Company’s current rate of cash outflows, cash on hand, proceeds from its government contract and grant programs, availability of funds from the Lincoln Park Capital Fund, LLC (“Lincoln Park”) equity line and proceeds from the state of New Jersey Technology Business Tax Certificate Transfer Program, management believes that its current cash will be sufficient to meet the anticipated cash needs for working capital and capital expenditures for at least the next twelve months.

Management's business plan can be outlined as follows:

Conduct a Phase 2 clinical trial of SGX942 for the treatment of oral mucositis in head and neck cancer;
Initiate a Phase 2/3 clinical trial of oral BDP, known as SGX203 for the treatment of pediatric Crohn's disease;
Evaluate the effectiveness of oral BDP in other therapeutic indications involving inflammatory conditions of the GI tract such as prevention of acute radiation enteritis, prevention of acute radiation syndrome, and treatment of chronic GVHD;
Develop RiVax™ and VeloThrax™ in combination with its proprietary vaccine heat stabilization technology known as ThermoVax™ to develop new heat stable vaccines in biodefense and infectious diseases with the potential to collaborate and/or partner with other companies in these areas;
Advance the preclinical and manufacturing development of OrbeShield™ as a biodefense medical countermeasure for the treatment of GI ARS;
Continue to apply for and secure additional government funding for each of its BioTherapeutics and Vaccine/BioDefense programs through grants, contracts and/or procurements;
Acquire or in-license new clinical-stage compounds for development; and
Explore other business development and merger/acquisition strategies, an example of which is the collaboration with Intrexon.

The Company's plans with respect to its liquidity management include, but are not limited to, the following:

The Company has up to $31.4 million in active contract and grant funding still available to support its associated research programs through 2015 and beyond. The Company plans to submit additional contract and grant applications for further support of its programs with various funding agencies.
The Company has continued to use equity instruments to provide a portion of the compensation due to vendors and/or collaboration partners and expects to continue to do so for the foreseeable future.
The Company will pursue Net Operating Loss ("NOLs") sales in the state of New Jersey pursuant to its Technology Business Tax Certificate Transfer Program. Based on the receipt, in January 2014, of $750,356 in proceeds pursuant to NOLs sales in 2013, the Company expects to participate in the program during 2014 and beyond;
The Company has a $10.0 million equity facility, with Lincoln Park through October 2016, of which approximately $9.7 million was available at June 30, 2014; and
The Company may seek additional capital in the private and/or public equity markets to continue its operations, respond to competitive pressures, develop new products and services, and to support new strategic partnerships. The Company is currently evaluating additional equity financing opportunities on an ongoing basis and may execute them when appropriate. However, there can be no assurances that the Company can consummate such a transaction, or consummate a transaction at favorable pricing.

Note 2. Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include Soligenix, Inc., and its wholly and majority owned subsidiaries. All significant intercompany accounts and transactions have been eliminated as a result of consolidation.

Operating Segments

Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated on a regular basis by the chief operating decision maker, or decision making group, in deciding how to allocate resources to an individual segment and in assessing the performance of the segment. The Company divides its operations into two operating segments: BioTherapeutics and Vaccines/BioDefense.

Grants and Contracts Receivable

Grants and contracts receivable consist of unbilled amounts due from various grants from the NIH and contracts from BARDA and NIAID, an institute of the NIH, for costs incurred prior to the period end under reimbursement contracts. The amounts were billed to the respective governmental agencies in the month subsequent to period end and collected shortly thereafter. Accordingly, no allowance for doubtful amounts has been established. If amounts become uncollectible, they are charged to operations.

Intangible Assets

One of the most significant estimates or judgments that the Company makes is whether to capitalize or expense patent and license costs. The Company makes this judgment based on whether the technology has alternative future uses, as defined in Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 730, *Research and Development*. Based on this consideration, the Company capitalizes payments made to legal firms that are engaged in filing and protecting rights to intellectual property and rights for its current products in both the domestic and international markets. The Company believes that patent rights are one of its most valuable assets. Patents and patent applications are a key component of intellectual property, especially in the early stage of product development, as their purchase and maintenance gives the Company access to key product development rights from Soligenix's academic and industrial partners. These rights can also be sold or sub-licensed as part of its strategy to partner its products at each stage of development as the intangible assets have alternative future use. The legal costs incurred for these patents consist of work associated with filing new patents and perhaps extending the lives of the patents. The Company capitalizes such costs and amortizes intangibles over their expected useful life – generally a period of 11 to 16 years.

The Company did not capitalize any patent related costs during the three and six months ended June 30, 2014 and 2013.

Impairment of Long-Lived Assets

Office furniture and equipment and intangible assets are evaluated and reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The Company recognizes impairment of long-lived assets in the event the net book value of such assets exceeds the estimated future undiscounted cash flows attributable to such assets. If the sum of the expected undiscounted cash flows is less than the carrying value of the related asset or group of assets, a loss is recognized for the difference between the fair value and the carrying value of the related asset or group of assets. Such analyses necessarily involve significant judgment.

The Company did not record any impairment of long-lived assets for the three and six months ended June 30, 2014 and 2013.

Fair Value of Financial Instruments

FASB ASC 820 — *Fair Value Measurements and Disclosures,* defines fair value 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. FASB ASC 820 requires disclosures about the fair value of all financial instruments, whether or not recognized, for financial statement purposes. Disclosures about the fair value of financial instruments are based on pertinent information available to the Company on June 30, 2014. Accordingly, the estimates presented in these financial statements are not necessarily indicative of the amounts that could be realized on disposition of the financial instruments.

FASB ASC 820 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect market assumptions. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement).

The three levels of the fair value hierarchy are as follows:

Level 1 — Quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 1 primarily consists of financial instruments whose value is based on quoted market prices such as exchange-traded instruments and listed equities.

Level 2 — Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 includes financial instruments that are valued using models or other valuation methodologies. These models consider various assumptions, including volatility factors, current market prices and contractual prices for the underlying financial instruments. Substantially all of these assumptions are observable in the marketplace, can be derived from observable data or are supported by observable levels at which transactions are executed in the marketplace.

Level 3 — Unobservable inputs for the asset or liability. Financial instruments are considered Level 3 when their fair values are determined using pricing models, discounted cash flows or similar techniques and at least one significant model assumption or input is unobservable.

The carrying amounts reported in the consolidated balance sheet for cash and cash equivalents, accounts receivable, accounts payable and accrued expenses approximate their fair value based on the short-term maturity of these instruments. The Company recognizes all derivative financial instruments as assets or liabilities in the financial statements and measures them at fair value with changes in fair value reflected as current period income or loss unless the derivatives qualify as hedges. As a result, certain warrants issued in connection with the offering were accounted for as derivatives. See Note 4, *Warrant Liabilities*.

Revenue Recognition

The Company's revenues are primarily generated from government contracts and grants. Revenue is recognized in accordance with FASB ASC 605, *Revenue Recognition,* ASC 605-25 and/or Accounting Standard Update, ASU, 2009-13, *Revenue Recognition – Multiple Element Arrangements*. The revenue from government contracts and grants is based upon subcontractor costs and internal costs incurred that are specifically covered by the grants, plus a facilities and administrative rate that provides funding for overhead expenses and management fee. These revenues are recognized when expenses have been incurred by subcontractors or when the Company incurs reimbursable internal expenses that are related to the government contracts and grants.

Research and Development Costs

Research and development costs are charged to expense when incurred in accordance with FASB ASC 730, *Research and Development*. Research and development includes costs such as clinical trial expenses, contracted research and license agreement fees with no alternative future use, supplies and materials, salaries, stock based compensation, employee benefits, equipment depreciation and allocation of various corporate costs. Purchased in-process research and development expense represents the value assigned or paid for acquired research and development for which there is no alternative future use as of the date of acquisition.

Accounting for Warrants

The Company considered FASB ASC 815, *Evaluating Whether an Instrument is Considered Indexed to an Entity's Own Stock*, which provides guidance for determining whether an equity-linked financial instrument (or embedded feature) issued by an entity is indexed to the entity's stock. The Company evaluated the warrants' provisions and determined that warrants issued in connection with the Company's June 2013 registered public offering contain provisions that protect holders from a decline in the issue price of the Company's common stock (or "down-round" provisions) and contain net settlement provisions. Consequently, these warrants are recognized as liabilities at their fair value on the date of grant and remeasured at fair value on each reporting date. All other warrants issued were indexed to the Company's stock and therefore are accounted for as equity instruments for 2014 and 2013.

Stock-Based Compensation

Stock options are issued with an exercise price equal to the market price on the date of issuance. Stock options issued to directors upon re-election vest quarterly for a period of one year (new director issuances are fully vested upon issuance). Stock options issued to employees vest 25% immediately as of the grant date, then 25% each subsequent year for a period of three years. Stock options vest over each three month period from the date of issuance to the end of the three year period. These options have a ten year life for as long as the individuals remain employees or directors. In general when an employee or director terminates their position the options will expire within three months, unless otherwise extended by the Board.

From time to time, the Company issues restricted shares of common stock to vendors and consultants as compensation for services performed. Stock-based compensation expense recognized during the period is based on the fair value of the portion of share-based payment awards that is ultimately expected to vest during the period. Typically these instruments vest upon issuance and therefore the entire stock compensation expense is recognized upon issuance to the vendors and/or consultants.

Stock compensation expense for options, warrants and shares of common stock granted to non-employees has been determined in accordance with FASB ASC 718, *Stock Compensation*, and FASB ASC 505-50, *Equity-Based Payments to Non-Employees*, and represents the fair value of the consideration received, or the fair value of the equity instruments issued, whichever may be more reliably measured. For options that vest over future periods, the fair value of options granted to non-employee directors is amortized as the options vest.

The fair value of options issued during the six months ended June 30, 2014 was estimated using the Black-Scholes option-pricing model and the following assumptions:

A dividend yield of 0%;
An expected life of 4 years;
Volatilities ranging from 133% to 165%
Forfeitures at a rate of 12%; and
Risk Free interest rates ranging from 1.05% to 1.33%.

The fair value of each option grant was estimated on the date of each grant using the Black-Scholes option pricing model and amortized ratably over the option’s vesting periods, which approximates the service period.

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Income Taxes

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. A valuation allowance is established when it is more likely than not that all or a portion of a deferred tax asset will not be realized. A review of all available positive and negative evidence is considered, including the Company's current and past performance, the market environment in which the Company operates, the utilization of past tax credits, and the length of carryback and carryforward periods. Deferred tax assets and liabilities are measured utilizing tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. No current or deferred income taxes have been provided through June 30, 2014 due to the net operating losses incurred by the Company since its inception. The Company recognizes accrued interest and penalties associated with uncertain tax positions, if any, as part of income tax expense. There were no tax related interest and penalties recorded for 2014 and 2013. Additionally, the Company has not recorded an asset for unrecognized tax benefits or a liability for uncertain tax positions at June 30, 2014 and 2013. Tax years beginning in 2010 for federal purposes are generally subject to examination by the taxing authorities, although net operating losses from those years are subject to examinations and adjustments for at least three years following the year in which the tax attributes are utilized.

Earnings Per Share

Basic earnings per share ("EPS") excludes dilution and is computed by dividing income (loss) available to common stockholders by the weighted-average number of common shares outstanding for the period. Diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that shared in the earnings of the entity. Since there is a significant number of options and warrants outstanding, fluctuations in the actual market price can have a variety of results for each period presented. No options and warrants were included in the 2014 and 2013 computations of diluted earnings per share because their effect would be anti-dilutive as a result of losses on options and warrants for which the strike price exceeds the quoted market value at period end.

	Three Months Ended June 30,					
	2014			**2013**		
	Net Loss	Shares	EPS	Net Loss	Shares	EPS
Basic & Diluted EPS	$(948,517)	19,949,539	$(0.05)	$(3,405,157)	12,259,394	$(0.28)

	Six Months Ended June 30,					
	2014			2013		
	Net Loss	Shares	EPS	Net Loss	Shares	EPS
Basic & Diluted EPS	$(4,280,225)	19,844,505	$(0.22)	$(4,492,571)	11,720,066	$(0.38)

Shares issuable upon the exercise of options and warrants outstanding at June 30, 2014 and 2013 were 2,122,022 and 1,447,474 shares issuable upon the exercise of outstanding stock options, and 6,800,824 and 7,923,838 shares issuable upon the exercise of outstanding warrants, respectively. The weighted average exercise price of the Company's stock options and warrants outstanding at June 30, 2014 were $2.57 and $2.08 per share, respectively.

Use of Estimates and Assumptions

The preparation of financial statements in conformity with accounting principles generally accepted in the U.S. requires management to make estimates and assumptions such as the fair value of warrants and stock options and the recovery of the useful life of intangibles that affect the reported amounts in the financial statements and accompanying notes. Actual results could differ from those estimates.

Note 3. Intangible Assets

The following is a summary of intangible assets which consists of licenses and patents:

	Weighted Average Remaining Amortization Period (years)	Cost	Accumulated Amortization	Net Book Value
June 30, 2014				
Licenses	6.2	$462,234	$ 292,765	$169,469
Patents	2.3	1,893,185	1,540,175	353,010
Total	3.0	$2,355,419	$ 1,832,940	$522,479
December 31, 2013				
Licenses	6.7	$462,234	$ 279,258	$182,976
Patents	2.6	1,893,185	1,443,649	449,536
Total	3.4	$2,355,419	$ 1,722,907	$632,512

Amortization expense was $55,321 and $55,654 for the three months ended June 30, 2014 and 2013, respectively, and $110,033 and $110,696 for the six months ended June 30, 2014 and 2013, respectively.

Based on the balance of licenses and patents at June 30, 2014, the annual amortization expense for each of the succeeding five years is estimated to be as follows:

	Amortization Expense
July 1 thru December 31, 2014	$ 112,800
2015	$ 172,500
2016	$ 61,800
2017	$ 61,800
2018	$ 20,800

License fees and royalty payments are expensed as incurred as the Company does not attribute any future benefits to such payments.

Note 4. Warrant Liabilities

Warrants issued in connection with the Company's registered public offering contain provisions that protect holders from a decline in the issue price of its common stock (or "down-round" provision) and contain net settlement provisions. As a result, the Company accounts for these warrants as liabilities instead of equity instruments. Down-round provisions reduce the exercise or conversion price of a warrant if the Company issues equity shares for a price that is lower than the exercise or conversion price of the warrants. Net settlement provisions allow the holder of the warrant to surrender shares underlying the warrant equal to the exercise price as payment of its exercise price, instead of exercising the warrant by paying cash. The Company evaluates whether warrants to acquire its common stock contain provisions that protect holders from declines in the stock price or otherwise could result in modification of the exercise price and/or shares to be issued under the respective warrant agreements based on a variable that is not an input to the fair value of a "fixed for fixed" option.

The Company recognizes these warrants as liabilities at their fair value on the date of grant and remeasures them to fair value on each reporting date.

The Company recognized an initial warrant liability for the warrants issued in connection with the registered public offering completed in June 2013 totaling $4,827,788, which was based on the June 25, 2013 closing price of a share of the Company's common stock as reported on OTC Markets of $0.96. On January 21, 2014, 250,000 warrants were exercised. The fair value of the warrants exercised, or $502,025, was reclassified from warrant liability to additional paid-in capital. On June 30, 2014, the closing price of the Company's common stock as reported on OTC Markets was $2.13. Due to the fluctuations in the market value of the Company's common stock from December 31, 2013 through June 30, 2014, the Company recognized a non-cash charge of $995,098 for the change in the fair value of the warrant liability for the six months ended June 30, 2014.

The assumptions used in connection with the valuation of warrants issued utilizing the Monte Carlo method were as follows:

	December 31, 2013	January 22, 2014	June 30, 2014
Number of shares underlying the warrants	5,309,438	5,309,438	5,059,438
Exercise price	$ 1.65	$ 1.65	$ 1.65
Volatility	135 %	135 %	130 %
Risk-free interest rate	1.75 %	1.30 %	1.25 %
Expected dividend yield	0	0	0
Expected warrant life (years)	4.5	4.42	3.99
Stock Price	$ 1.80	$ 2.29	$ 2.13

The table below provides a reconciliation of the beginning and ending balances for the liability measured at fair value using significant unobservable inputs (Level 3). The table reflects losses for the six months ended June 30, 2014 for the financial liability categorized as Level 3 as of June 30, 2014**.**

	December 31, 2013	Decrease from Warrants Exercised in 2014	Increase in Fair Value	June 30, 2014
Warrant liability	$ 8,281,247	$ (502,025)	$ 995,098	$ 8,774,320

Note 5. Income Taxes

The Company had NOLs at December 31, 2013 of approximately $80,793,000 for federal tax purposes and approximately $5,599,000 of New Jersey NOL carry forwards remaining after the sale of unused NOL carry forwards, portions of which are currently expiring each year until 2031. In addition, the Company had $2,986,000 of various tax credits that started expiring in December 2013 and will continue to expire through December 2030. The Company may be able to utilize its NOLs to reduce future federal and state income tax liabilities. However, these NOLs are subject to various limitations under Internal Revenue Code (“IRC”) Section 382. IRC Section 382 limits the use of NOLs to the extent there has been an ownership change of more than 50 percentage points. In addition, the NOL carryforwards are subject to examination by the taxing authority and could be adjusted or disallowed due to such exams. Although the Company has not undergone an IRC Section 382 analysis, it is possible that the utilization of the NOLs, could be substantially limited.

The Company and one or more of its subsidiaries files income tax returns in the U.S. Federal jurisdiction, and various state and local jurisdictions. The Company is no longer subject to income tax assessment for years before 2011 for Federal and 2010 for New Jersey income tax assessment. However, since the Company has incurred net operating losses in every tax year since inception, all its income tax returns are subject to examination and adjustments by the Internal Revenue Service for at least three years following the year in which the tax attributes are utilized.

The Company has no tax provision for the three and six month periods ended June 30, 2014 and 2013 due to losses incurred and the recognition of full valuation allowances recorded against net deferred tax assets.

Note 6. Shareholders' Equity

Preferred Stock

The Company has 350,000 shares of preferred stock authorized, none of which are issued or outstanding.

Common Stock

During the six months ended June 30, 2014, the Company issued the following shares of common stock:

- In January 2014, the Company issued 77,889 shares of common stock in connection with the cashless exercise of 250,000 stock warrants;
- In March 2014, the Company issued 76,932 shares of common stock pursuant to the Lincoln Park facility;
- In April 2014, the Company issued 76,907 shares of common stock pursuant to the Lincoln Park facility;
- In May 2014, the Company issued 43,607 shares of common stock upon the execution of an agreement to evaluate specific oncology technology;
- In May 2014, the Company issued 29,172 shares of common stock upon the exercise of vested stock options; and
- In three separate transactions, the Company issued 71,000 shares of common stock as partial consideration for services performed.

Note 7. Commitments and Contingencies

The Company has commitments of approximately $338,000 as of June 30, 2014 for several licensing agreements with consultants and universities. Additionally, the Company has collaboration and license agreements, which upon clinical or commercialization success may require the payment of milestones and/or royalties up to 6% of net sales of covered products, if and when achieved. However, there can be no assurance that clinical or commercialization success will occur.

On April 27, 2013, the Company entered into an exclusive channel collaboration agreement with Intrexon (the "Channel Agreement") to use Intrexon's advanced human antibody discovery, isolation and production technologies for the development of human monoclonal antibody therapies for a new biodefense application targeting melioidosis. The Channel Agreement grants an exclusive worldwide license to use specified patents and other intellectual property of Intrexon in connection with the research, development, use, importing, manufacture, sale and offer for sale of products for the treatment of melioidosis through the use of exogenously produced human recombinant monoclonal antibodies. The Channel Agreement, upon clinical or commercialization success, may require the payment of certain milestones up to $7 million, if and when achieved.

On February 7, 2012, the Company entered into a lease agreement through March 31, 2015 for existing office space. The rent for the first 12 months is approximately $8,000 per month, or approximately $18.25 per square foot. This rent increases to approximately $8,310 per month, or approximately $19.00 per square foot, for the remaining 24 months.

In February 2007, the Company's Board of Directors authorized the issuance of the following number of shares to each of Dr. Schaber and Dr. Brey immediately prior to the completion of a transaction, or series or a combination of related transactions negotiated by the Board of Directors whereby, directly or indirectly, a majority of the capital stock or a majority of its assets are transferred from the Company and/or its stockholders to a third party: 50,000 common shares to Dr. Schaber and 10,000 common shares to Dr. Brey. The amended agreement with Dr. Schaber includes its obligation to issue such shares if such event occurs.

Employees with employment contracts have severance agreements that will provide separation benefits from the Company if they are involuntarily separated from employment.

As a result of the above agreements, the Company has future contractual obligations over the next five years as follows:

Year	Research and Development	Property and Other Leases	Total
July 1 through December 31, 2014	$ 38,000	$54,000	$92,000
2015	75,000	33,000	108,000
2016	75,000	9,000	84,000
2017	75,000	2,000	77,000
2018	75,000	-	75,000
Total	$ 338,000	$98,000	$436,000

Note 8. Operating Segments

The Company maintains two active operating segments: BioTherapeutics and Vaccines/BioDefense. Each segment includes an element of overhead costs specifically associated with its operations, with its corporate shared services group responsible for support functions generic to both operating segments.

	Three Months Ended June 30,	
	2014	2013
Contract/Grant Revenue		
Vaccines/BioDefense	$1,321,385	$588,496
BioTherapeutics	96,863	43,782
Total	$1,418,248	$632,278
Income (Loss) from Operations		
Vaccines/BioDefense	$264,810	