

Hill International, Inc.  
Form 10-Q  
May 10, 2011  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**WASHINGTON, D.C. 20549**

**FORM 10-Q**

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

For the quarterly period ended March 31, 2011

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: 001-33961

**HILL INTERNATIONAL, INC.**

(Exact name of registrant as specified in its charter)

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**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**20-0953973**  
(I.R.S. Employer  
Identification No.)

**303 Lippincott Centre,**  
**Marlton, NJ**  
(Address of principal executive offices)

**08053**  
(Zip Code)

**Registrant's telephone number, including area code: (856) 810-6200**

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, and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by a check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§229.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

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

Large Accelerated Filer  Accelerated Filer

Non-Accelerated Filer  Smaller Reporting Company

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

There were 38,323,666 shares of the Registrant's Common Stock outstanding at May 2, 2011.

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**HILL INTERNATIONAL, INC. AND SUBSIDIARIES**

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**Table of Contents****PART I FINANCIAL INFORMATION****Item 1. Financial Statements.****HILL INTERNATIONAL, INC. AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS****(In thousands, except share and per share data)**

	March 31, 2011 (unaudited)	December 31, 2010
<b>Assets</b>		
Cash and cash equivalents	\$ 26,695	\$ 39,406
Cash restricted	2,173	2,527
Accounts receivable, less allowance for doubtful accounts of \$9,467 and \$9,457	190,278	180,856
Accounts receivable affiliate	2,836	3,230
Prepaid expenses and other current assets	12,883	8,834
Income taxes receivable	1,171	1,138
Deferred income tax assets	1,365	1,475
<b>Total current assets</b>	<b>237,401</b>	<b>237,466</b>
Property and equipment, net	13,769	11,926
Cash restricted, net of current portion	2,732	4,040
Retainage receivable	3,351	3,102
Acquired intangibles, net	48,724	26,709
Goodwill	80,446	57,310
Investments	11,438	10,962
Deferred income tax assets	9,266	8,918
Other assets	11,195	10,418
<b>Total assets</b>	<b>\$ 418,322</b>	<b>\$ 370,851</b>
<b>Liabilities and Stockholders Equity</b>		
Due to bank	\$ 4,237	\$ 4,903
Current maturities of notes payable	77,082	2,278
Accounts payable and accrued expenses	85,074	72,215
Income taxes payable	127	2,931
Deferred revenue	15,136	15,620
Deferred income taxes	409	396
Other current liabilities	7,540	6,122
<b>Total current liabilities</b>	<b>189,605</b>	<b>104,465</b>
Notes payable, net of current maturities	11,423	67,778
Retainage payable	3,678	3,701
Deferred income taxes	16,449	11,275
Deferred revenue	3,228	1,747
Other liabilities	11,876	13,789
<b>Total liabilities</b>	<b>236,259</b>	<b>202,755</b>
Commitments and contingencies		
Stockholders equity:		

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Preferred stock, \$.0001 par value; 1,000,000 shares authorized, none issued		
Common stock, \$.0001 par value; 75,000,000 shares authorized, 44,757,269 shares and 44,686,148 shares issued at March 31, 2011 and December 31, 2010, respectively	4	4
Additional paid-in capital	124,180	123,762
Retained earnings	74,047	79,643
Accumulated other comprehensive loss	(11,191)	(14,552)
	187,040	188,857
Less treasury stock of 6,433,651 shares at March 31, 2011 and December 31, 2010, at cost	(27,766)	(27,766)
Hill International, Inc. share of equity	159,274	161,091
Noncontrolling interests	22,789	7,005
<b>Total equity</b>	<b>182,063</b>	<b>168,096</b>
Total liabilities and stockholders' equity	\$ 418,322	\$ 370,851

See accompanying notes to consolidated financial statements.

**Table of Contents****HILL INTERNATIONAL, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF OPERATIONS****(In thousands, except per share data)****(Unaudited)**

	<b>Three Months Ended March 31,</b>	
	<b>2011</b>	<b>2010</b>
Consulting fee revenue	\$ 94,272	\$ 91,936
Reimbursable expenses	28,738	12,536
<b>Total revenue</b>	<b>123,010</b>	<b>104,472</b>
Cost of services	55,343	53,113
Reimbursable expenses	28,738	12,536
<b>Total direct expenses</b>	<b>84,081</b>	<b>65,649</b>
<b>Gross profit</b>	<b>38,929</b>	<b>38,823</b>
Selling, general and administrative expenses	44,226	36,945
Equity in earnings of affiliates	(4)	(821)
<b>Operating (loss) profit</b>	<b>(5,293)</b>	<b>2,699</b>
Interest expense, net	994	545
(Loss) earnings before income tax benefit income taxes	(6,287)	2,154
Income tax benefit	(909)	(469)
<b>Consolidated net (loss) earnings</b>	<b>(5,378)</b>	<b>2,623</b>
Less: net earnings noncontrolling interests	218	166
<b>Net (loss) earnings attributable to Hill International, Inc.</b>	<b>\$ (5,596)</b>	<b>\$ 2,457</b>
<b>Basic (loss) earnings per common share Hill International, Inc.</b>	<b>\$ (0.15)</b>	<b>\$ 0.06</b>
Basic weighted average common shares outstanding	38,276	40,313
<b>Diluted (loss) earnings per common share Hill International, Inc.</b>	<b>\$ (0.15)</b>	<b>\$ 0.06</b>
Diluted weighted average common shares outstanding	38,276	40,922

See accompanying notes to consolidated financial statements.

**Table of Contents****HILL INTERNATIONAL, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF CASH FLOWS****(In thousands)****(unaudited)**

	<b>2011</b>	<b>Three Months Ended March 31, 2010</b>
Cash flows from operating activities:		
Consolidated net (loss) earnings	\$ (5,378) \$	2,623
Adjustments to reconcile net (loss) earnings to net cash (used in) operating activities:		
Depreciation and amortization	3,102	2,194
Equity in earnings of affiliates	(4)	(821)
Provision for bad debts	446	324
Deferred tax provision	640	(1,072)
Stock based compensation	617	428
Changes in operating assets and liabilities, net of acquisitions:		
Accounts receivable	2,960	(6,137)
Accounts receivable affiliate	394	2,401
Prepaid expenses and other current assets	(2,375)	(2,380)
Income taxes receivable	2	(59)
Retainage receivable	(249)	(184)
Other assets	(296)	(1,738)
Accounts payable and accrued expenses	4,837	1,259
Income taxes payable	(3,262)	(719)
Deferred revenue	(556)	(3,865)
Other current liabilities	787	(357)
Retainage payable	(29)	219
Other liabilities	(2,124)	(1,104)
Net cash flow used in operating activities	(488)	(8,988)
Cash flows used in investing activities:		
Purchase of businesses, net of cash acquired	(13,881)	750
	273	

Distributions from affiliate		
Contribution to affiliate		(1,136)
Payments for purchase of property and equipment	(1,805)	(168)
Purchase of additional interest in subsidiary	(1,609)	
Net cash flow used in investing activities	(17,022)	(554)
Cash flows from financing activities:		
Due to bank	(1,515)	893
Payments on notes payable	(4)	(1,881)
Net borrowings on revolving loans	8,934	Zinthionein ZC

Zinthionein ZC is an investigational once-daily, gastroretentive, sustained-release, proprietary, oral tablet formulation of zinc and cysteine for the dietary management of Alzheimer's disease and mild cognitive impairment.. It is being developed as a prescription medical food. All of Zinthionein ZC's constituents have GRAS (Generally Regarded as Safe) status. Zinthionein ZC was specially invented and developed by Adeona to achieve the convenience of once-daily dosing, high bioavailability and to minimize gastrointestinal side effects of oral zinc therapy. Zinthionein ZC is protected by multiple U.S. and international pending patent applications held by Adeona.

In April of 2010, Adeona announced positive results of Part 1 of its CopperProof-2 clinical study of Zinthionein ZC (zinc cysteine) in Alzheimer's disease and mild cognitive impairment. Adeona's CopperProof-2 clinical study seeks to compare Zinthionein ZC to placebo, as well as a currently marketed prescription zinc product, Galzin® (zinc acetate). The clinical study, "A Prospective, Randomized, Double Blind Trial of a Novel Oral Zinc Cysteine Preparation in Alzheimer's Disease (CopperProof-2)" previously received institutional review board approval to proceed. The principal investigator of the study is Diana Pollock, M.D., Associate Director, Memory Disorder Center, Clearwater, Florida.

CopperProof-2 is designed as a controlled, 60-patient, randomized, double-blind, placebo-controlled clinical study and is divided into two parts. Part 1, recently completed, is a 13-subject, three-arm, single-dose, comparator study in Alzheimer's disease and mild cognitive impairment subjects that compared the tolerability and bioavailability of Zinthionein ZC to Galzin®, the only Food and Drug Administration-approved zinc preparation and placebo. The Galzin® arm tested two separate individual dose levels, 50 mg and 100 mg zinc acetate (two 50 mg doses taken together). Part 2 of the study has 60 Alzheimer's disease and mild cognitive impairment subjects randomized to receive either once-daily Zinthionein ZC or matching placebo for six months.





## Results

### Tolerability

Results from Part 1 of the study, announced today, demonstrate a substantially lower incidence of adverse effects in Alzheimer's disease and mild cognitive impairment subjects (33% versus 100%) in favor of Zinthionein ZC (containing 150 mg of elemental zinc acetate and 100 mg of cysteine) compared to Galzin® (containing either 50 mg or 100 mg of elemental zinc as zinc acetate). 100% of the Galzin® subjects experienced gastrointestinal distress, ranging from 100% nausea to 40% vomiting, 40% diarrhea, and 20% heartburn. The high rate of gastrointestinal adverse effects of Galzin® are consistent with prior published results of oral zinc therapy. In comparison, only 33% of Zinthionein ZC subjects experienced nausea, with only one of such subjects (17% of group) having experienced vomiting. No adverse effects were noted in the placebo group.

Adverse effects for the three groups are as follows:

	Galzin		Galzin		Galzin		Zinthionein ZC			
	Placebo	%	100	%	50	%	All	%	150	%
			mg		mg				mg	
Any										
Adverse										
Effect	(0/2)	0%	(3/3)	100%	(2/2)	100%	(5/5)	100%	(2/6)	33%
Nausea	(0/2)	0%	(3/3)	100%	(2/2)	100%	(5/5)	100%	(2/6)	33%
Vomiting	(0/2)	0%	(1/3)	33%	(1/2)	50%	(2/5)	40%	(1/6)	17%
Diarrhea	(0/2)	0%	(1/3)	33%	(1/2)	50%	(2/5)	40%	(0/6)	0%
Dizziness	(0/2)	0%	(0/3)	0%	(0/2)	0%	(0/5)	0%	(0/6)	0%
Abdominal										
Pain	(0/2)	0%	(0/3)	0%	(0/2)	0%	(0/5)	0%	(1/6)	17%
Heartburn	(0/2)	0%	(0/3)	0%	(1/2)	50%	(1/5)	20%	(0/6)	0%

### Bioavailability

Zinthionein ZC also demonstrated superior serum zinc bioavailability in Alzheimer's disease and mild cognitive impairment subjects compared to both the 50 mg and 100 mg dose levels of Galzin®. Average baseline serum zinc levels of the subjects was 76.8 microg/dL (range: 63-92 microg/dL), consistent with Adeona's earlier findings of a subclinical zinc deficiency in Alzheimer's disease patients. The area under the curve (a serum measurement of bioavailability) of Zinthionein ZC was approximately 166% that of the 50 mg Galzin® dose and 116% that of 100 mg Galzin® dose (two 50 mg doses taken together).

The bioavailability results are also supplemented from results of a separate uncontrolled repeat dose pilot study conducted by Adeona in a small number of normal subjects who took Zinthionein ZC once-daily for 14 weeks, also being announced today. Following 14 weeks, subjects demonstrated an average 80% increase in serum zinc levels from baseline measured at least 12 hours after last dose, demonstrating Zinthionein ZC's ability to maintain consistently elevated serum zinc levels. In addition, a 17% reduction in serum copper levels was observed after 14 weeks, demonstrating Zinthionein ZC's ability to favorably improve serum copper/zinc ratios with once-daily dosing.

#### Part 2 of the Clinical Study

Part 2 of the clinical study is intended to enroll 60 Alzheimer's disease and mild cognitive impairment subjects and is currently ongoing with 11 of 13 enrolled subjects from Part 1 electing to continue to Part 2 of the study. In Part 2, subjects are randomized on a 50:50 basis to either Zinthionein ZC or matching placebo. Subjects will be assessed at 3 and 6 months for serum parameters of zinc and copper as well as changes in cognitive function using standard clinical tests used in Alzheimer's disease and mild cognitive impairment. Some subjects have now completed three months of therapy. Adeona recently added two additional clinical sites in Florida to further expedite enrollment and complete Part 2 of the study.

#### Background of Zinc Therapy for Alzheimer's Disease and Mild Cognitive Impairment

The CopperProof-2 study grew out of observations by Adeona and now others documenting a subclinical zinc deficiency in Alzheimer's disease patients as well as a significant body of published evidence implicating chronic copper exposure and elevated free serum copper levels in the progression of Alzheimer's disease and mild cognitive impairment. In 1992, results from an uncontrolled study of zinc therapy in Alzheimer's disease was reported to demonstrate cognitive improvement in 80% of subjects in as little as 3 to 6 months of treatment. Due to the significant gastrointestinal side effects and intolerability of oral zinc therapy in such study, oral zinc therapy was discontinued and subjects were switched to zinc injections administered every other day, further underscoring the need for a better tolerated, convenient oral zinc therapy such as Zinthionein ZC.

The hippocampus, an area of the brain that plays a critical role in short-term memory and is generally most affected in Alzheimer's disease, is believed to contain the highest levels of zinc in the brain. Hippocampal zinc is believed to play an important dual role as a synaptic neurotransmitter that modulates NMDA (N-methyl-D-aspartic acid) receptor activity limiting excitotoxicity and is a key component of hundreds of neuroprotective enzymes, a number of which are responsible for the degradation of amyloid beta. Alzheimer's disease subjects have been reported to have lower levels of zinc in their cerebral spinal fluid, and cerebral spinal fluid levels of copper and zinc highly correlate with levels of amyloid beta 42 in cerebral spinal fluid, a biomarker of Alzheimer's disease. Zinc's role as an important NMDA receptor antagonist implies that by ameliorating the cerebral spinal fluid zinc deficiency in Alzheimer's disease

patients, Zinthionein ZC may demonstrate near term acute cognitive benefits, such as those demonstrated in the 1992 study described above, as well as reducing neurogeneration in the longer term. Current NMDA-receptor antagonists for Alzheimer's disease, such as Namenda® and Axura® (memantine), currently have estimated annualized sales of \$2.6 billion.

## dnaJP1

dnaJP1 (hsp peptide) is an investigational oral drug for the treatment of rheumatoid arthritis. It has completed a 160-patient, multi-center, randomized, double-blind, placebo-controlled clinical trial for the treatment of rheumatoid arthritis. dnaJP1 is an epitope-specific immunotherapy for rheumatoid arthritis patients. It is a 15-mer heat shock protein-derived peptide that was previously identified as a contributor of T cell-mediated inflammation in rheumatoid arthritis. Immune responses to heat shock protein are often found at sites of inflammation and have an initially amplifying effect that needs to be down regulated to prevent tissue damage. The mechanisms for this regulation involve T cells with regulatory function that are specific for heat shock protein-derived antigens. This regulatory function is one of the key components of a "molecular dimmer" whose physiologic function is to modulate inflammation independently from its trigger. This function is impaired in autoimmunity and could be restored for therapeutic purposes.

dnaJP1 contains the five amino acid cassette present on most of the HLA (human leukocyte antigen) class II alleles associated with rheumatoid arthritis. In preclinical work, the most relevant epitope was mapped and showed its contribution to pro-inflammatory T cell responses in vitro in patients with active rheumatoid arthritis. These data led to the hypothesis that the sequences shared between immunologically relevant self and foreign proteins (HLA and heat shock protein) would affect thymic selection and peripheral activation of potentially pathogenic T cells at different stages. The mechanistic hypothesis is that mucosal tolerization to dnaJP1 could determine immune tolerization primarily of T cells and secondarily of antigen presenting cells. The effects of immune tolerance are initially peptide-specific but affect secondarily non-epitope specific pathways.

Computer-aided, rational drug design techniques of dnaJP1 resulted in a short synthetic peptide derived from a heat shock protein dnaJ. Heat shock proteins and dnaJ are upregulated during cellular stress, including inflammation and autoimmune diseases. Heat shock protein responses have been found in several other autoimmune diseases other than rheumatoid arthritis, including juvenile idiopathic arthritis, multiple sclerosis, and inflammatory bowel disease. The mechanism of action of dnaJP1 relies on selectively inducing an immune shift of a T-cell function from inflammatory to regulatory, thus inhibiting disease-related inflammation and inducing a tolerogenic immunologic response.

Adeona is currently engaged in the cGMP manufacture and scale up of the dnaJP1 active drug substance and other nonclinical activities necessary to support the potential filing and approval of a corporate investigational new drug application for the further clinical testing of dnaJP1. The Company is seeking potential United States, European and Asian corporate partners to assist in the further manufacturing, testing and clinical development of dnaJP1.

### Clinical Trial Results of dnaJP1 in Rheumatoid Arthritis Patients

In November of 2009, Adeona announced publication of the results of an investigator-initiated, 160-patient clinical trial of dnaJP1 for the treatment of rheumatoid arthritis conducted at 11 clinical centers in the United States. The publication, entitled "Epitope-Specific Immunotherapy of Rheumatoid Arthritis: Clinical Responsiveness Occurs With Immune Deviation and Relies on the Expression of a Cluster of Molecules Associated with T Cell Tolerance in a Double-Blind, Placebo-Controlled, Pilot Phase II Trial", can be found in *Arthritis & Rheumatism*, Vol. 60(11), pages 3207-3216, with related editorial at page A21. This clinical trial was funded by a \$5 million grant from the National Institutes of Health. It sought to test 2 hypotheses 1) whether mucosal induction of immune tolerance to dnaJP1 would lead to a qualitative change from a proinflammatory phenotype to a more tolerogenic functional phenotype and 2) whether immune deviation of responses to an inflammatory epitope might translate into clinical improvement. One hundred sixty patients with active rheumatoid arthritis were randomized to receive oral doses of 25 mg of dnaJP1 or placebo daily for 6 months.

Results of the published study showed the following:

1. dnaJP1 appeared to be safe and well-tolerated;
2. There was a significant reduction in the percentage of T cells producing the proinflammatory cytokine tumor necrosis factor alpha (TNF-alpha) ( $p < 0.0007$ );
3. The primary efficacy end point (meeting the American College of Rheumatology 20% improvement criteria at least once on day 112, 140, or 168) showed a difference between treatment groups ( $p = 0.09$ ) that became significant in post hoc analysis using generalized estimating equations (GEE) ( $p = 0.04$ ).

4. Differences in clinical responses were also found between treatment groups on day 140 and at followup, indicative of a durable response following discontinuation of therapy.

5. Post hoc analysis showed that the combination of dnaJP1 and the commercially available rheumatoid arthritis agent, hydroxychloroquine, was superior to the combination of hydroxychloroquine and placebo, demonstrating potential synergistic effect of dnaJP1 with hydroxychloroquine.

Consistent with the disease modifying process of active immune tolerization, there was a progressive separation between treatment and placebo groups for both ACR20 and ACR50 endpoints after day 112. ACR20 is a composite endpoint developed by the American College of Rheumatology and generally accepted as an FDA-approvable scoring criteria. dnaJP1 treated patients achieved a 40.7% ACR20 response at follow up versus 21.5% of placebo-treated patients (CMH test  $p = 0.007$ , GEE  $p < 0.001$ ). The proportion of dnaJP1-treated patients who achieved an ACR20 response at Days 112, 140, 168, and follow up was significantly higher than that of placebo-treated patients (CMH  $p = 0.03$ ; GEE  $p = 0.0005$ ). A statistically significant difference was also seen for the AUC when more strict ACR50 criteria were applied (GEE  $p = 0.02$ ). The primary endpoint (AUC 112-140-168) found more patients succeeding on dnaJP1 ( $p = 0.09$  by CMH and  $p = 0.04$  by adjusted GEE). GEE analysis was employed to correct for intercenter variability and this was possible as randomization occurred per center. Patients in this study were permitted to be on currently available standard background therapies, including hydroxychloroquine, corticosteroids, sulfasalazine, analgesics, and non-steroidal anti-inflammatory drugs, but not on disease modifying agents or biologics.

From an immunologic standpoint, dnaJP1 also demonstrated an 80% reduction in the in vitro production of TNF-alpha by T cells ( $p < 0.007$ ), a hallmark cytokine of inflammation. Additionally, oral dnaJP1 treated patients demonstrated an increase in tolerogenic cytokines and immune response genes, including IL-10 and FoxP3 production. The study investigators concluded that tolerization to dnaJP1 leads to immune deviation and a trend toward clinical efficacy.

In combination with low dose etanercept (Enbrel®), an animal equivalent of dnaJP1 has also demonstrated a significant reduction of mean arthritis scores achieved on day 23 ( $p = 0.0004$ ) as compared to placebo in preclinical animal models. Additionally, oral dnaJP1 and single low dose etanercept combination therapy led to a significant improvement of the histological score in the joints ( $p = 0.014$  versus untreated). Lastly, combination therapy of etanercept and oral dnaJP1 led to an antigen-specific increase of tolerogenic cytokines, including IL-10 and IL-4 production and up regulation of CTLA-4 expression.

dnaJP1 Market Opportunity

Rheumatoid arthritis is an autoimmune disease that affects approximately 20 million people worldwide. It is a chronic inflammatory disease that leads to pain, stiffness, swelling and limitation in the motion and function of multiple joints. If left untreated, rheumatoid arthritis can produce serious destruction of joints that frequently leads to permanent disability. Though the joints are the principal body part affected by rheumatoid arthritis, inflammation can develop in other organs as well. The disease currently affects over two million Americans, almost 1% of the population, and is two to three times more prevalent in women than men. Onset can occur at any point in life but is most frequent in the fourth and fifth decades of life, with most patients developing the disease between the ages of 35 and 50. Over 20 million people suffer from rheumatoid arthritis worldwide and the global market is estimated at over \$6.3 billion. Disease-modifying antirheumatic drugs, including biologics, accounted for nearly \$5 billion of that figure.

#### ZincMonoCysteine

ZincMonoCysteine (zinc-monocysteine) is an investigational oral drug for the treatment of dry age-related macular degeneration. It is a complex of zinc and the amino acid cysteine that Adeona believes may have improved properties compared to currently marketed zinc-based products. ZincMonoCysteine was invented and developed by David A. Newsome, M.D., former Chief of the Retinal Disease Section of the National Eye Institute. Dr. Newsome was the first to pioneer and demonstrate the benefits of oral high dose zinc therapy in dry age-related macular degeneration. Oral high dose zinc containing products now represent the standard of care for dry age-related macular degeneration affecting over 10 million Americans and have annual sales of approximately \$300 million.

ZincMonoCysteine has completed an 80-patient, randomized, double-blind, placebo-controlled clinical trial in dry age-related macular degeneration and demonstrated highly statistically significant improvements in central retinal function. These results were published in a peer-reviewed journal in 2008. Adeona believes that the patent-pending, modified-release formulations of ZincMonoCysteine and may offer the significant advantages of convenient once-a-day dosing and improved gastrointestinal tolerability compared to currently-marketed oral high dose zinc-containing products. During the third quarter of 2009, Adeona did further manufacturing and scale up of ZincMonoCysteine to support the further nonclinical testing and cGMP manufacturing required to support further drug development.



### Copper and Zinc Metabolism Clinical Diagnostic Test

During the first quarter of 2009, Adeona analyzed patient samples from an institutional review board-approved, prospective, observational, blinded clinical study that was sponsored and conducted during 2007 and 2008. The study enrolled 90 subjects, 30 with Alzheimer's disease, 30 with Parkinson's disease and 30 age-matched normal subjects. The purpose of the study was to evaluate serum markers of copper status and compare these results across the three groups of patients. The results of the study indicate highly statistically significant differences in serum markers of copper status between Alzheimer's disease and normal subjects. Adeona believes that the differences observed suggest that Alzheimer's patients have impaired metabolic functioning that decreases their protection from chronic copper toxicity, which may contribute to the progression of their disease. The results from this study also appear to indicate a subclinical zinc deficiency in Alzheimer's disease patients. In July of 2009, Adeona announced the presentation of the findings from this study at the 2009 International Conference on Alzheimer's disease. There is an estimated 5.8 million, 1.5 million and 15 million persons in the United States with Alzheimer's disease, Parkinson's disease and mild cognitive impairment, respectively, that may benefit from Adeona's panel of clinical diagnostic tests.

In July of 2009 Adeona acquired HartLab, LLC, an Illinois limited liability company and clinical laboratory through which we have launched our panel of copper and zinc metabolism clinical diagnostic tests. Adeona also intends to develop other specialty diagnostic tests through HartLab and also to grow the core clinical laboratory business in the greater Chicago area.

In November of 2009, Adeona announced the launch of the HartLab subsidiary's diagnostic test panel, the CopperProof™ Panel, for the evaluation of zinc and copper status in patients with Alzheimer's disease and mild cognitive impairment. The CopperProof™ Panel provides a comprehensive analysis of the metabolic serum copper and zinc status of Alzheimer's disease and mild cognitive impairment patients, the status of which has been shown to be impaired in this patient population. Defects in copper metabolism and high free copper levels are increasingly being recognized as significant factors in the progression of neurodegenerative diseases, including Alzheimer's disease and mild cognitive impairment. Adeona believes that this panel will allow physicians to determine the copper and zinc metabolic status of these patients as an aid in their continued treatment program.

### Intellectual Property

Adeona's goal is to (a) obtain, maintain, and enforce patent protection for its products, formulations, processes, methods, and other proprietary technologies, (b) preserve our trade secrets, and (c) operate without infringing on the proprietary rights of other parties, worldwide. Adeona seeks, where appropriate, the broadest intellectual property protection for product candidates, proprietary

information, and proprietary technology through a combination of contractual arrangements and patents.

Below is a description of our license and development agreements relating to our product candidates:

#### McLean Hospital Exclusive License Agreement

In 2005, as amended in 2007 and 2010, Pipex, Adeona's wholly owned subsidiary, entered into an exclusive license agreement with the McLean Hospital, a Harvard University hospital, relating to U.S. Patent No. 6,610,324 and its foreign equivalents, entitled "Flupirtine in the treatment of fibromyalgia and related conditions." Pursuant to this agreement, Pipex paid an upfront fee of \$20,000 and back patent costs of approximately \$41,830 and agreed to pay McLean royalties on net sales of flupirtine equal to 3.5% of net sales of flupirtine for indications covered by the issued patents, reduced to 1.75% if Pipex has a license to other intellectual property covering those indications; use Pipex's best efforts to commercialize flupirtine for the therapeutic uses embodied in the patent applications; reimburse future patent costs and pay the following milestone payments: \$150,000 upon the initiation of a pivotal phase 3 clinical trial of flupirtine; \$300,000 upon the filing of a New Drug Application for flupirtine; and \$600,000 upon Food and Drug Administration approval of flupirtine. The due diligence requirements of the exclusive license agreement were amended in April 2010 and further amended by a Non-Disturbance Agreement that was signed with Pipex, McLean Hospital and Meda.

Effective May 6, 2010, Pipex and Adeona entered into a Sublicense Agreement (the “Agreement”) with Meda AB of Sweden. Pursuant to the Agreement, Meda has been granted an exclusive sublicense to all of Pipex’s patents covering the use of flupirtine for fibromyalgia. These patents have been issued in the U.S. and are pending in Canada and Japan (the “Territory”). The Agreement provides that Meda will assume all future development costs for the commercialization of flupirtine for fibromyalgia. As consideration for such sublicense, Pipex received an up-front payment of \$2.5 million upon execution of the Agreement and are entitled to milestone payments of \$5 million upon filing of a New Drug Application with the Food and Drug Administration for flupirtine for fibromyalgia and \$10 million upon marketing approval. The Agreement also provides that Pipex is entitled to receive royalties of 7% of net sales of flupirtine approved for the treatment of fibromyalgia covered by issued patent claims in the Territory. Pursuant to the terms of Pipex’s agreement with the company’s university licensor, Pipex is obligated to share half of the royalties it receives with the university licensor and Pipex is obligated to pay them \$375,000 upon receipt of an upfront payment.

#### Thomas Jefferson University License Agreement

In 2002, as amended in 2009, Adeona’s majority owned subsidiary CD4 Biosciences Inc. entered into an exclusive worldwide license agreement with Thomas Jefferson University (TJU) relating to certain U.S. and foreign issued patents and patent applications relating to all uses of CD4 Inhibitor 802-2 and CD4 inhibitor technology. Pursuant to this agreement we paid an upfront license fee of \$80,000, an additional \$25,000 was paid at the 12 month anniversary of the agreement, and \$25,000 was paid at the 18 month anniversary of the agreement. Adeona is obligated to pay annual maintenance fees, milestone payments of \$200,000 upon the filing of a New Drug Application and \$500,000 upon approval of a New Drug Application with the Food and Drug Administration, as well as royalties on net sales of anti-CD4 802-2 and other anti-CD4 molecules covered by the licensed patents. Adeona also received rights to valuable data generated under any Investigation New Drug application filing, which includes toxicology and manufacturing information relating to anti-CD4 802-2. As partial consideration for this license, TJU was issued shares representing 5% of the common stock of CD4 Biosciences Inc. Adeona also agreed that TJU would receive anti-dilution protection on those CD4 shares through the first \$2 million in financing to CD4. Adeona also agree to indemnify TJU against certain liabilities.

#### The Regents of University of California License Agreement

In 2005, Adeona was granted an exclusive worldwide license agreement with the Regents of the University of California relating to an issued US Patent No. 6,936,599 and pending patent applications covering the uses of the drug candidate Trimesta. Pursuant to this agreement, Adeona paid an upfront license fee of \$20,000, reimbursed patent expenses of \$41,000 and agreed to pay a

license fee of \$25,000 during 2006, as well as annual maintenance fees, milestone payments totaling \$750,000 that are payable on filing a New Drug Application, and on approval of a New Drug Application with the Food and Drug Administration, as well as royalties on net sales of Trimesta covered by the licensed patents. Adeona may be permitted to partially pay milestone payments in the form of equity.

#### Zinc Monocysteine License Agreement

In July of 2007, Adeona entered into an exclusive worldwide license agreement with David A. Newsome, M.D., and David Tate, M.S., relating to zinc monocysteine for all uses. Pursuant to this agreement, Adeona paid an upfront license fee of \$65,000 and reimbursed patent expenses of \$25,000. Milestone payments totaling \$1,400,000 may be due upon the achievement of certain milestones, as well as royalties of three percent (3%) on net sales for the licensed technology covered by the licensed patents. Adeona has the ability to make these milestone payments in the form of equity.

#### The Regents of University of California License Agreement

In July of 2008, Adeona entered into an exclusive worldwide license agreement with the Regents of the University of California relating to a series of issued US patents and pending patent applications covering novel uses of an orally active immunotherapeutic technology, dnaJP1 a candidate which has completed a 160-patient, double-blind, placebo-controlled phase II clinical trial for treatment of rheumatoid arthritis. Pursuant to this agreement, Adeona paid an upfront license fee of \$25,000, reimbursed patent expenses as well as future patent and expenses annual maintenance fees of \$50,000 per year, milestone payments ranging from \$75,000 to \$5,000,000 that are payable on various clinical and regulatory milestones, as well as royalties on net sales of the licensed technology covered by the licensed patents.

## RISK FACTORS

You should carefully consider the specific risks set forth under the caption “Risk Factors” in the applicable prospectus supplement and under the caption “Risk Factors” in any of our filings with the Commission pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), incorporated by reference herein, including the Risk Factors set forth in our Form 10-K for our fiscal year ended December 31, 2009 before making an investment decision. Each of the risks described in these sections and documents could materially and adversely affect our business, financial condition, results of operations and prospects and could result in partial or complete loss of your investment. For more information, see “Where You Can Find More Information.”

### SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and 21E of the Securities Exchange Act of 1934. You should not place undue reliance on these statements. These forward-looking statements include statements that reflect the current views of our senior management with respect to our financial performance and future events with respect to our business and our industry in general. Statements that include the words “expect,” “intend,” “plan,” “believe,” “project,” “forecast,” “estimate,” “may,” “should,” “anticipate” and similar statements of a future or forward-looking nature identify forward-looking statements. Forward-looking statements address matters that involve risks and uncertainties. Accordingly, there are or will be important factors that could cause our actual results to differ materially from those indicated in these statements. We believe that these factors include, but are not limited to, the following:

- a failure of our product candidates to be demonstrably safe and effective;

- a failure to obtain regulatory approval for our products or to comply with ongoing regulatory requirements;

- a lack of acceptance of our product candidates in the marketplace;

- a failure by us to become or remain profitable;

- an inability by us to obtain the capital necessary to fund our research and development activities;

- a loss of any of our key scientist or management personnel.

The foregoing factors should not be construed as exhaustive and should be read together with the other cautionary statements included in this prospectus and

other reports we file with the Securities and Exchange Commission, including the information under “Item 1A. Risk Factors” of Part I of our Annual Report on Form 10-K for our fiscal year ended December 31, 2009. The forward-looking statements speak as of the date made and are not guarantees of future performance. If one or more events related to these or other risks or uncertainties materialize, or if our underlying assumptions prove to be incorrect, actual results may differ materially from what we anticipate. We undertake no obligation to publicly update or revise any forward-looking statement, other than as required by law.

#### USE OF PROCEEDS

Unless otherwise provided in the applicable prospectus supplement, we intend to use the net proceeds from the sale of the securities under this prospectus for general corporate purposes, which may include general working capital, capital expenditures, research and development expenditures, regulatory affairs expenditures, clinical trial expenditures, acquisitions of new technologies and investments. Additional information on the use of net proceeds from the sale of securities offered by this prospectus may be set forth in the prospectus supplement relating to that offering. Pending the application of the net proceeds, we intend to invest the net proceeds in short-term, investment-grade, interest-bearing securities.

## DESCRIPTION OF CAPITAL STOCK

The following description of certain terms of our capital stock does not purport to be complete and is qualified in its entirety by reference to our articles of incorporation, our bylaws and provision of the Nevada Revised Statute. For more information on how you can obtain our Articles of Incorporation and bylaws, see “Where You Can Find more Information.” We urge you to read our Articles of Incorporation and bylaws in their entirety.

### Authorized Capital Stock

We are authorized to issue 100 million shares of common stock, par value \$.001 per share, and 10 million shares of preferred stock, par value \$.001 per share. At May 3, 2010, we had 21,698,945 shares of common stock outstanding and no shares of preferred stock outstanding. Although our board of directors has no present intention to do so, it could issue common stock or a series of preferred stock that could, depending on the terms of such securities, impede the completion of a merger, tender offer or take-over attempt. Our board of directors will make any determination to issue such shares based upon its judgment and the best interests of us and our shareholders.

### Common Stock

We may offer shares of our common stock. Our common stock currently trades on the AMEX under the symbol “AEN.” Holders of shares of common stock have the right to cast one vote for each share of common stock in their name on the books of our company, whether represented in person or by proxy, on all matters submitted to a vote of holders of common stock, including election of directors. There is no right to cumulative voting in election of directors. Except where a greater requirement is provided by statute, by our articles of incorporation, or by our bylaws, the presence, in person or by proxy duly authorized, of the one or more holders of a majority of the outstanding shares of our common stock constitutes a quorum for the transaction of business. The vote by the holders of a majority of outstanding shares is required to effect certain fundamental corporate changes such as liquidation, merger, or amendment of our articles of incorporation.

Except as otherwise provided by the Nevada Revised Statute or our Articles of Incorporation, holders of our common stock share ratably in all dividends and distributions, as may be declared from time to time by our board of directors from funds legally available therefore, whether upon liquidation or distribution or otherwise. There are no restrictions in our articles of incorporation or bylaws that prevent us from declaring dividends. The Nevada Revised Statute does, however, prohibit us from declaring dividends where, after giving effect to the distribution of the dividend (1) we would not be able to pay our debts as they become due in the usual course of business or (2) our total assets would be less

than the sum of our total liabilities plus the amount that would be needed to satisfy the rights of stockholders who have preferential rights superior to those receiving the distribution.

We have not declared any dividends, and we do not plan to declare any dividends in the foreseeable future.

Holders of shares of our common stock are not entitled to preemptive or subscription or conversion rights, and no redemption or sinking fund provisions are applicable to our common stock. All outstanding shares of common stock are, and the shares of common stock sold in the offering will when issued, fully paid and non-assessable.

#### Transfer Agent and Registrar

The transfer agent and registrar for our common stock is Corporate Stock Transfer, Inc. of Denver, Colorado.

#### Listing

Our common stock is listed on the American Stock Exchange under the symbol "AEN."



## DESCRIPTION OF WARRANTS

### General

We may issue warrants to purchase common stock (which we refer to as common stock warrants). Any of these warrants may be issued independently or together with any other securities offered by this prospectus and may be attached to or separate from the other securities. If warrants are issued, they will be issued under warrant agreements.

We will file as exhibits to the registration statement of which this prospectus is a part, or will incorporate by reference from a current report on Form 8-K that we file with the SEC, the form of warrant agreement that describes the terms of the warrants we are offering, and any supplemental agreements, before the issuance of the warrants. The following summaries of material terms and provisions of the warrants are subject to, and qualified in their entirety by reference to, all the provisions of the warrant agreement and any supplemental agreements applicable to those warrants. We urge you to read the applicable prospectus supplements related to the particular warrants that we sell under this prospectus, as well as the complete warrant agreement and any supplemental agreements that contain the terms of the warrants.

### Terms of the Warrants

The applicable prospectus supplement will describe the following terms of common stock warrants offered under this prospectus:

- (1) the title;
- (2) the securities issuable upon exercise;
- (3) the issue price or prices;
- (4) the number of warrants issued with each share of common stock;
- (5) any provisions for adjustment of (a) the number or amount of shares of common stock receivable upon exercise of the warrants or (b) the exercise price;
- (6) if applicable, the date on and after which the warrants and the related common stock will be separately transferable;
- (7) if applicable, a discussion of the material United States federal income tax considerations applicable to the exercise of the warrants;
- (8) any other terms, including terms, procedures and limitations relating to exchange and exercise;

- (9) the commencement and expiration dates of the right to exercise; and
- (10) the maximum or minimum number that may be exercised at any time.

#### Exercise of Warrants

Each warrant will entitle the holder to purchase for cash the amount of shares of common stock at the applicable exercise price set forth in, or determined as described in, the applicable prospectus supplement. Warrants may be exercised at any time up to the close of business on the expiration date set forth in the applicable prospectus supplement. After the close of business on the expiration date, unexercised warrants will become void.

Warrants may be exercised by delivering to us or any other person indicated in the applicable prospectus supplement (a) the warrant certificate properly completed and duly executed and (b) payment of the amount due upon exercise. As soon as practicable following exercise, we will forward the shares of common stock purchasable upon exercise. If less than all of the warrants represented by a warrant certificate are exercised, a new warrant certificate will be issued for the remaining warrants.

#### PLAN OF DISTRIBUTION

We may sell the securities being offered by us in this prospectus:  
directly to purchasers;  
through agents;  
through dealers;  
through underwriters; or  
through a combination of any of these methods of sale.

In addition, the manner in which we may sell some or all of the securities covered by this prospectus includes, without limitation, through:

a block trade in which a broker-dealer will attempt to sell as agent, but may position or resell a portion of the block, as principal in order to facilitate the transaction  
purchases by a broker-dealer, as principal, and resale by the broker-dealer for its account; or  
ordinary brokerage transactions and transaction in which a broker solicits purchasers.

Furthermore, we may enter into derivative or hedging transactions with third parties, or sell securities not covered by this prospectus to third parties in privately negotiated transactions. In connection with such a transaction, the third parties may sell securities covered by and pursuant to this prospectus and an applicable prospectus supplement or other offering materials, as the case may be. If so, the third party may use securities borrowed from us or others to settle such sales and may use securities received from us to close out any related short positions. We may also loan or pledge securities covered by this prospectus and an applicable prospectus supplement to third parties, who may sell the loaned securities or, in an event of default in the case of a pledge, sell the pledged securities pursuant to this prospectus and the applicable prospectus supplement or other offering materials, as the case may be.

We and our agents and underwriters may sell the securities being offered by us in this prospectus from time to time in one or more transactions:

at a fixed price or prices, which may be changed;  
at market prices prevailing at the time of sale;  
at prices related to the prevailing market prices; or  
at negotiated prices.

We may solicit directly offers to purchase securities. We may also designate agents from time to time to solicit offers to purchase securities. Any agent, who may be deemed to be an “underwriter” as that term is defined in the Securities Act of 1933, as amended (the “Securities Act”) may then resell the securities to the public at varying prices to be determined by that agent at the time of resale.

In the sale of the securities, underwriters, dealers or agents may receive compensation from us or from purchasers of the securities, for whom they may act as agents, in the form of discounts, concessions or commissions. Underwriters may sell the securities to or through dealers, and such dealers may receive compensation in the form of discounts, concessions or commissions from the underwriters and/or commissions from the purchasers for whom they may act as agents. Underwriters, dealers and agents that participate in the distribution of the securities may be deemed to be underwriters under the Securities Act and any discounts or commissions they receive from us and any

profit on the resale of securities they realize may be deemed to be underwriting discounts and commissions under the Securities Act. The applicable prospectus supplement will, where applicable:

- identify any underwriter or agent;
- describe any compensation in the form of discounts, concessions, commissions or otherwise received from us by each underwriter, dealer or agent and in the aggregate to all underwriters, dealers and agents;
- identify the purchase price and proceeds from that sale;
- identify the amounts underwritten;
- identify the nature of the underwriter's obligation to take the securities; and
- identify any quotation systems or securities exchanges on which the securities may be quoted or listed.

Underwriters, dealers, agents and other persons may be entitled, under agreements that may be entered into with us, to indemnification by us against certain civil liabilities, including liabilities under the Securities Act, or to contribution with respect to payments that they may be required to make in respect of these liabilities. Underwriters and agents may engage in transactions with, or perform services for, us in the ordinary course of business.

If so indicated in the applicable prospectus supplement, we will authorize underwriters, dealers, or other persons to solicit offers by certain institutions to purchase the securities offered by us under this prospectus pursuant to contracts providing for payment and delivery on a future date or dates. The obligations of any purchaser under any these contracts will be subject only to those conditions described in the applicable prospectus supplement, and the prospectus supplement will set forth the price to be paid for securities pursuant to these contracts and the commission's payable for solicitation of these contracts.

Any underwriter may engage in over-allotment, stabilizing and syndicate short covering transactions and penalty bids only in compliance with Regulation M of the Securities Exchange Act of 1934. If we offer securities in an “at the market” offering, stabilizing transactions will not be permitted. Over-allotment involves sales in excess of the offering size, which creates a short position. Stabilizing transactions involve bids to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum. Syndicate short covering transactions involve purchases of securities in the open market after the distribution has been completed in order to cover syndicate short positions. Penalty bids permit the underwriters to reclaim selling concessions from dealers when the securities originally sold by the dealers are purchased in covering transactions to cover syndicate short positions. These transactions may cause the price of the securities sold in an offering to be higher than it would otherwise be. We do not make any representation or prediction as to the direction or magnitude of any effect that the transactions described above might have on the price of the securities. These transactions, if commenced, may be discontinued by the underwriters at any time.

Each series of securities offered under this prospectus will be a new issue with no established trading market, other than the common stock, which is listed on the American Stock Exchange. Any shares of common stock sold pursuant to a prospectus supplement will be listed on the American Stock Exchange, subject to official notice of issuance. Any underwriters to whom we sell securities for public offering and sale may make a market in the securities, but these underwriters will not be obligated to do so and may discontinue any market making at any time without notice. We may elect to list any of the securities we may offer from time to time for trading on an exchange or on the American Stock Exchange, but we are not obligated to do so.

The anticipated date of delivery of the securities offered hereby will be set forth in the applicable prospectus supplement relating to each offering.

Underwriters, dealers and agents may engage in transactions with us or perform services for us in the ordinary course of business.

To comply with applicable state securities laws, the securities offered by this prospectus will be sold, if necessary, in such jurisdictions only through registered or licensed brokers or dealers. In addition, securities may not be sold in some states unless they have been registered or qualified for sale in the applicable state or an exemption from the registration or qualification requirement is available and is complied with.

In compliance with the guidelines of the Financial Industry Regulatory Authority (“FINRA”), the aggregate maximum discount, commission, or agency fees or other items of underwriting compensation to be received by an FINRA member or independent broker-dealer will not exceed 8% of any offering pursuant to this prospectus and any prospectus supplement or other offering

materials, as the case may be.

If 5% or more of the net proceeds of any offering of securities made under this prospectus will be received by a FINRA member participating in the offering or affiliates or associated persons of such FINRA member, the offering will be conducted in accordance with NASD Conduct rule 2720.

#### LEGAL MATTERS

The legality of the Shares offered hereby has been passed upon for us by Gracin & Marlow, LLP, New York, New York.

#### EXPERTS

The financial statements incorporated in this prospectus from our Annual Report on Form 10-K for the year ended December 31, 2009 have been audited by Berman & Company, P.A., an independent registered public accounting firm, as stated in their report, which is incorporated by reference, which report expresses an unqualified opinion. The financial statements have been incorporated upon the authority of said firm as experts in accounting and auditing in giving said reports.

#### WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly and special reports, proxy statements and other information with the Securities and Exchange Commission. You may read and copy any document we file at the Commission's public reference room located at 100 F Street N.E., Washington, D.C. 20549. Please call the Commission at 1-800-SEC-0330 for further information on the operation of the public reference room. Our public filings are also available to the public at the Commission's web site at <http://www.sec.gov>.

This prospectus is part of a registration statement on Form S-3 that we have filed with the Commission under the Securities Act. This prospectus does not contain all of the information in the registration statement. We have omitted certain parts of the registration statement, as permitted by the rules and regulations of the Commission. You may inspect and copy the registration statement, including exhibits, at the Commission's public reference room or Internet site.

#### INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

The Commission allows us to "incorporate by reference" the information we file with it which means that we can disclose important information to you by referring you to those documents instead of having to repeat the information in this prospectus. The information incorporated by reference is considered to be part of this prospectus, and later information that we file with the Commission will automatically update and supersede this information. We incorporate by reference the documents listed below and any future filings made with the Commission under Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act between the date of this prospectus and the termination of the offering:

Our annual report on Form 10-K for the fiscal year ended December 31, 2009;

The description of our common stock set forth in our registration statement on Form 8-A, filed with the Commission on January 29, 1993 (File No. 000-21156).

Our Current Report on Form 8-K filed with the Securities and Exchange Commission on January 13, 2010.

Our Current Report on Form 8-K filed with the Securities and Exchange Commission on February 9, 2010.

Our Current Report on Form 8-K filed with the Securities and Exchange Commission on March 16, 2010.

Our Current Report on Form 8-K/A filed with the Securities and Exchange Commission on March 31, 2010.

Our Current Report on Form 8-K filed with the Securities and Exchange Commission on April 5, 2010.

Our Current Report on Form 8-K filed with the Securities and Exchange Commission on May 11, 2010.

Our Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on May 17, 2010.

Our Current Report on Form 8-K filed with the Securities and Exchange Commission on June 3, 2010.

You may obtain, free of charge, a copy of any of these documents (other than exhibits to these documents unless the exhibits are specifically incorporated by reference into these documents or referred to in this prospectus) by writing or calling us at the following address and telephone number:

ADEONA PHARMACEUTICALS, INC.  
3930 Varsity Drive  
Ann Arbor, MI 48108  
Attention: Corporate Secretary  
(734) 332-7800

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ADEONA PHARMACEUTICALS, INC.

UP TO \$15 Million

PRELIMINARY PROSPECTUS DATED JUNE 14 , 2010

Common Stock  
Warrants

You should rely only on the information contained or incorporated by reference in this prospectus. We have not authorized anyone to provide you with different information. You should not assume that the information contained or incorporated by reference in this prospectus is accurate as of any date other than the date of this prospectus. We are not making an offer of these securities in any state where the offer is not permitted.

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## PART II

## INFORMATION NOT REQUIRED IN THE PROSPECTUS

## Item 14. Other Expenses of Issuance and Distribution.

The following table sets forth the estimated fees and expenses in connection with the shelf registration of the common stock registered under this registration statement, other than any underwriting discounts and commissions. The actual amounts of such fees and expenses will be determined from time to time. All amounts shown are estimates except for the Securities and Exchange Commission registration fee.

SEC registration fee	\$ 1,069.50
Legal fees and expenses	5,000
Accounting fees and expenses	5,000
Transfer agent and registrar fees and expenses	2,000
Printing and engraving expenses	1,800
Miscellaneous	130.50
<b>Total</b>	<b>\$ 15,000</b>

## Item 15. Indemnification of Directors and Officers.

Section 78.138 of the Nevada Revised Statute provides that a director or officer is not individually liable to the corporation or its stockholders or creditors for any damages as a result of any act or failure to act in his capacity as a director or officer unless it is proven that (1) his act or failure to act constituted a breach of his fiduciary duties as a director or officer and (2) his breach of those duties involved intentional misconduct, fraud or a knowing violation of law.

This provision is intended to afford directors and officers protection against and to limit their potential liability for monetary damages resulting from suits alleging a breach of the duty of care by a director or officer. As a consequence of this provision, stockholders of our company will be unable to recover monetary damages against directors or officers for action taken by them that may constitute negligence or gross negligence in performance of their duties unless such conduct falls within one of the foregoing exceptions. The provision, however, does not alter the applicable standards governing a director's or officer's fiduciary duty and does not eliminate or limit the right of our company or any stockholder to obtain an injunction or any other type of non-monetary relief in the event of a breach of fiduciary duty.

The Registrant's Articles of Incorporation and By-laws provide for indemnification of directors, officers, employees or agents of the Registrant to the fullest extent permitted by Nevada law (as amended from time to

time). Section 78.7502 of the Nevada Revised Statute provides that such indemnification may only be provided if the person acted in good faith and in a manner he reasonably believed to be in, or not opposed to, the best interest of the Registrant and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful.

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Item 16. Exhibits

Exhibit	Description
1.1	Form of Underwriting Agreement with respect to common stock*
3.1	Form of Warrant Agreement*
5.1	Opinion of Gracin & Marlow, LLP**
23.1	Consent of Berman & Company, P.A.***
23.3	Consent of Gracin & Marlow, LLP (included in Exhibit 5.1)
24.1	Powers of Attorney for our directors and certain executive officers **

\* To be filed, if necessary, by an amendment to this registration statement or incorporated by reference pursuant to a Current Report on Form 8-K in connection with the offering of securities registered hereunder.

\*\* Previously filed.

\*\*\* Filed Herewith.

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Item 17. Undertakings

The undersigned registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:

(i) To include any prospectus required by Section 10(a)(3) of the Securities Act of 1933;

(ii) To reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in this registration statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high and of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than 20 percent change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective registration statement; and

(iii) To include any material information with respect to the plan of distribution not previously disclosed in this registration statement or any material change to such information in this registration statement;

Provided, however, that subparagraphs (i), (ii) and (iii) do not apply if the information required to be included in a post-effective amendment by those paragraphs is contained in reports filed with or furnished to the Commission by the registrant pursuant to Section 13 or Section 15(d) of the Securities Exchange Act of 1934 that are incorporated by reference in this registration statement, or is contained in a form of prospectus filed pursuant to Rule 424(b) that is part of this registration statement.

(2) That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered herein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering

thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(4) That, for the purpose of determining liability under the Securities Act of 1933 to any purchaser:

(i) Each prospectus filed by the registrant pursuant to Rule 424(b)(3) shall be deemed to be part of the registration statement as of the date the filed prospectus was deemed part of and included in the registration statement; and

(ii) Each prospectus required to be filed pursuant to Rule 424(b)(2), (b)(5), or (b)(7) as part of this registration statement in reliance on Rule 430B relating to an offering made pursuant to Rule 415(a)(1)(i), (vii) or (x) for the purpose of providing the information required by section 10(a) of the Securities Act of 1933 shall be deemed to be part of and included in this registration statement as of the earlier of the date such form of prospectus is first used after effectiveness or the date of the first contract of sale of securities in the offering described in the prospectus. As provided in Rule 430B, for liability purposes of the issuer and any person that is at that date an underwriter, such date shall be deemed to be a new effective date of this registration statement relating to the securities in this registration statement to which that prospectus relates, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof. Provided, however, that no statement made in a registration statement or prospectus that is part of this registration statement or made in a document incorporated or deemed incorporated by reference into this registration statement or prospectus that is a part of this registration statement will, as to a purchaser with a time of contract sale prior to such effective date, supersede or modify any statement that was made in this registration statement or prospectus that was a part of this registration statement or made in any such document immediately prior to such effective date.

(iii) If the registrant is subject to Rule 430C, each prospectus filed pursuant to Rule 424(b) as part of a registration statement relating to an offering, other than registration statements relying on Rule 430B or other than prospectuses filed in reliance on Rule 430A, shall be deemed to be part of and included in the registration statement as of the date it is first used after effectiveness. Provided, however, that no statement made in a registration statement or prospectus that is part of the registration statement or made in a document incorporated or deemed incorporated by reference into the registration statement or prospectus that is part of the registration statement will, as to a purchaser with a time of contract of sale prior to such first use, supersede or modify any statement that was made in the registration statement or prospectus that was part of the registration statement or made in any such document immediately prior to such date.

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(5) That, for the purpose of determining liability of the registrant under the Securities Act of 1933 to any purchaser in the initial distribution of the securities, the undersigned registrant undertakes that in a primary offering of securities of the undersigned registrant pursuant to this registration statement, regardless of the underwriting method used to sell the securities to the purchaser if the securities are offered or sold to such purchaser by means of any of the following communications, the undersigned registrant will be a seller to the purchaser and will be considered to offer or sell such securities to such purchaser:

(i) Any preliminary prospectus or prospectus of the undersigned registrant relating to the offering required to be filed pursuant to Rule 424;

(ii) Any free writing prospectus relating to the offering prepared by or on behalf of the undersigned registrant or used or referred to by the undersigned registrant;

(iii) The portion of any other free writing prospectus relating to the offering containing material information about the undersigned registrant or its securities provided by or on behalf of the undersigned registrant; and

(iv) Any other communication that is an offer in the offering made by the undersigned registrant to the purchaser.

(6) The undersigned registrant hereby undertakes that, for purposes of determining any liability under the Securities Act of 1933, each filing of the registrant's annual report pursuant to section 13(a) or section 15(d) of the Securities Exchange Act of 1934 (and, where applicable, each filing of an employee benefit plan's annual report pursuant to section 15(d) of the Securities Exchange Act of 1934) that is incorporated by reference in this registration statement shall be deemed to be a new registration statement relating to the securities offered herein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(7) Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or



paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

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SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-3 and has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Ann Arbor, State of Michigan, June 14 , 2010.

ADEONA  
PHARMACEUTICALS,  
INC.

By: /s/ James S.  
Kuo  
Chairman of the Board of  
Directors  
Chief Executive Officer and  
President  
(Principa Executive Officer and  
Principal  
Financial and Accounting  
Officer)

Signature	Title	Date
/s/ James S. Kuo	Chairman of the Board of Directors, Chief Executive Officer and President (Principal Executive Officer and Principal Financial and Accounting Officer)	June 14, 2010
James S. Kuo		
*		
Steve H. Kanzer	Director	June 14, 2010
*		
Jeffrey J. Kraws	Director	June 14 , 2010

\*  
Jeffrey Wolf Director June 14, 2010

\*  
Jeff Riley Director June 14, 2010

\* By: /s/ James S. Kuo  
James S. Kuo  
as attorney-in-fact

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EXHIBIT INDEX

Exhibit	Description
1.1	Form of Underwriting Agreement with respect to common stock*
3.1	Form of Warrant Agreement*
5.1	Opinion of Gracin & Marlow, LLP**
23.1	Consent of Berman & Company, P.A.***
23.3	Consent of Gracin & Marlow, LLP (included in Exhibit 5.1)
24.1	Powers of Attorney for our directors and certain executive officers **

\* To be filed, if necessary, by an amendment to this registration statement or incorporated by reference pursuant to a Current Report on Form 8-K in connection with the offering of securities registered hereunder.

\*\* Previously Filed

\*\*\* Filed Herewith