

Geovax Labs, Inc.  
Form 10-Q  
November 14, 2007

**Table of Contents**

**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 September 30, 2007**

**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 000-52091  
GEOVAX LABS, INC.**

(Exact name of Registrant as specified in its charter)

**Illinois**

(State or other jurisdiction  
of incorporation or organization)

**87-0455038**

(I.R.S. Employer Identification No.)

**1256 Briarcliff Road, N.E.  
Emtech Bio Suite 500  
Atlanta, Georgia**

(Address of principal executive offices)

**30306**

(Zip Code)

Registrant's telephone number, including area code: **(404) 727-0971**

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

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See the definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer  Accelerated filer  Non-Accelerated filer

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 November 14, 2007, 712,834,703 shares of the Registrant's common stock, \$.001 par value, were issued and outstanding.

**GEOVAX LABS, INC.  
AND SUBSIDIARY  
Index**

	Page
<u><b>PART I FINANCIAL INFORMATION</b></u>	
<u>Item 1</u> <u>Condensed Consolidated Financial Statements:</u>	
<u>Condensed Consolidated Balance Sheets as of September 30, 2007 and December 31, 2006</u>	1
<u>Condensed Consolidated Statements of Operations for the three months and nine months ended September 30, 2007 and 2006 and for the period from inception (June 27, 2001) to September 30, 2007</u>	2
<u>Condensed Consolidated Statements of Stockholders' Equity (Deficiency) for the period from inception (June 27, 2001) to September 30, 2007</u>	3
<u>Condensed Consolidated Statements of Cash Flows for the nine months ended September 30, 2007 and 2006 and for the period from inception (June 27, 2001) to September 30, 2007</u>	4
<u>Notes to Consolidated Financial Statements</u>	5
<u>Item 2</u> <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	8
<u>Item 3</u> <u>Quantitative and Qualitative Disclosures about Market Risk</u>	12
<u>Item 4</u> <u>Controls and Procedures</u>	12
<u><b>PART II OTHER INFORMATION</b></u>	
<u>Item 1</u> <u>Legal Proceedings</u>	12
<u>Item 1A</u> <u>Risk Factors</u>	12
<u>Item 2</u> <u>Unregistered Sale of Equity Securities and Use of Proceeds</u>	17
<u>Item 3</u> <u>Default Upon Senior Securities</u>	18
<u>Item 4</u> <u>Submission of Matters to a Vote of Security Holders</u>	18
<u>Item 5</u> <u>Other Information</u>	18
<u>Item 6</u> <u>Exhibits</u>	18
<u><b>SIGNATURES</b></u>	18
<u>EX-3.1 ARTICLES OF INCORPORATION</u>	
<u>EX-31.1 SECTION 302 CERTIFICATION OF THE PRESIDENT</u>	
<u>EX-31.2 SECTION 302 CERTIFICATION OF THE CFO</u>	
<u>EX-32.1 SECTION 906 CERTIFICATION OF THE PRESIDENT</u>	
<u>EX-32.2 SECTION 906 CERTIFICATION OF THE CFO</u>	

**Table of Contents****Part I FINANCIAL INFORMATION****Item 1 Financial Statements**

**GEOVAX LABS, INC.**  
**(A DEVELOPMENT-STAGE ENTERPRISE)**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**

	September 30, 2007 (Unaudited)	December 31, 2006
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 731,976	\$ 2,088,149
Prepaid expenses and other	23,753	38,130
Total current assets	755,729	2,126,279
Property and equipment, net of accumulated depreciation of \$70,157 and \$47,092 at September 30, 2007 and December 31, 2006, respectively	81,654	104,719
Other assets:		
Licenses, net of accumulated amortization of \$103,168 and \$84,504 at September 30, 2007 and December 31, 2006, respectively	145,688	164,352
Deposits	980	980
Total other assets	146,668	165,332
Total assets	\$ 984,051	\$ 2,396,330
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 370,551	\$ 83,983
Advance for purchase of common stock	300,000	
Accrued salaries	12,908	109,131
Total current liabilities	683,459	193,114
Commitments (Note 5)		
Stockholders equity:		
Preferred stock, \$.01 par value, 10,000,000 shares authorized; no shares issued at September 30, 2007 and December 31, 2006, respectively		
Common stock, \$.001 par value, 900,000,000 shares authorized 712,834,703 and 711,167,943 shares outstanding at September 30, 2007 and December 31, 2006, respectively	712,835	711,168

Edgar Filing: Geovax Labs, Inc. - Form 10-Q

Additional paid-in capital	8,957,296	7,775,661
Deficit accumulated during the development stage	(9,369,539)	(6,283,613)
Total stockholders' equity	300,592	2,203,216
Total liabilities and stockholders' equity	\$ 984,051	\$ 2,396,330

See accompanying notes to financial statements.

1

---

**Table of Contents**

**GEOVAX LABS, INC.**  
**(A DEVELOPMENT-STAGE ENTERPRISE)**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
**(Unaudited)**

	Three Months Ended		Nine Months Ended		From Inception (June 27, 2001) to September 30, 2007
	September 30,		September 30,		
	2007	2006	2007	2006	
Revenues					
Grant revenue	\$	\$	\$	\$ 478,853	\$ 3,411,181
				478,853	3,411,181
Operating expenses:					
Research and development	360,227	173,047	1,273,245	509,371	8,266,294
General and administrative	814,803	136,290	1,864,978	438,314	4,708,853
	1,175,030	309,337	3,138,223	947,685	12,975,147
Loss from operations	(1,175,030)	(309,337)	(3,138,223)	(468,832)	(9,563,966)
Other income (expense)					
Interest income	9,511	25,903	52,297	41,942	200,096
Interest expense					(5,669)
	9,511	25,903	52,297	41,942	194,427
Net loss and comprehensive loss	\$ (1,165,519)	\$ (283,434)	\$ (3,085,926)	\$ (426,890)	\$ (9,369,539)
Basic and diluted:					
Income (loss) per common share	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.03)
Weighted average shares	712,834,703	317,112,375	712,814,124	315,687,273	351,572,527

See accompanying notes to financial statements.

**Table of Contents**

**GEOVAX LABS, INC.**  
**(A DEVELOPMENT-STAGE ENTERPRISE)**  
**CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY (DEFICIENCY)**

	Common Stock		Additional Paid In Capital	Stock Subscription Receivable	Deficit Accumulated during the Development Stage	Total Stockholders Equity (Deficiency)
	Shares	Amount				
Capital contribution at inception (June 27, 2001)		\$	\$ 10	\$	\$	\$ 10
Net loss for the year ended December 31, 2001					(170,592)	(170,592)
Balance at December 31, 2001			10		(170,592)	(170,582)
Sale of common stock for cash	139,497,711	139,498	(139,028)			470
Issuance of common stock for technology license	35,226,695	35,227	113,629			148,856
Net loss for the year ended December 31, 2002					(618,137)	(618,137)
Balance at December 31, 2002	174,724,406	174,725	(25,389)		(788,729)	(639,393)
Sale of common stock for cash	61,463,911	61,464	2,398,145			2,459,609
Net loss for the year ended December 31, 2003					(947,804)	(947,804)
Balance at December 31, 2003	236,188,317	236,189	2,372,756		(1,736,533)	872,412
Sale of common stock for cash and stock subscription receivable	74,130,250	74,130	2,915,789	(2,750,000)		239,919
Cash payments received on stock subscription receivable				750,000		750,000
Issuance of common stock for technology license	2,470,998	2,471	97,529			100,000

Edgar Filing: Geovax Labs, Inc. - Form 10-Q

Net loss for the year ended December 31, 2004					(2,351,828)	(2,351,828)
Balance at December 31, 2004	312,789,565	312,790	5,386,074	(2,000,000)	(4,088,361)	(389,497)
Cash payments received on stock subscription receivable				1,500,000		1,500,000
Net loss for the year ended December 31, 2005					(1,611,086)	(1,611,086)
Balance at December 31, 2005	312,789,565	312,790	5,386,074	(500,000)	(5,699,447)	(500,583)
Cash payments received on stock subscription receivable				500,000		500,000
Conversion of GeoVax, Inc. preferred stock to common stock in connection with merger	177,542,538	177,543	897,573			1,075,116
Common shares issued to Dauphin Technology, Inc. in the merger on September 28, 2006	217,994,566	217,994	1,494,855			1,712,849
Issuance of common stock for cashless warrant exercise	2,841,274	2,841	(2,841)			
Net loss for the year ended December 31, 2006					(584,166)	(584,166)
Balance at December 31, 2006	711,167,943	711,168	7,775,661		(6,283,613)	2,203,216
Sale of common stock for cash (unaudited)	1,666,760	1,667	253,333			255,000
Stock compensation expense (unaudited)			928,302			928,302
Net loss for the nine months ended September 30, 2007 (unaudited)					(3,085,926)	(3,085,926)
	712,834,703	\$ 712,835	\$ 8,957,296	\$	\$ (9,369,539)	\$ 300,592



Balance at  
September 30, 2007  
(unaudited)

See accompanying notes to financial statements.

3

---

**Table of Contents**

**GEOVAX LABS, INC.**  
**(A DEVELOPMENT STAGE ENTERPRISE)**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(Unaudited)**

	Nine Months Ended September 30,		From Inception (June 27, 2001) to September 30, 2007
	2007	2006	
Cash flows from operating activities:			
Net loss	\$ (3,085,926)	\$ (426,890)	\$ (9,369,539)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization	41,729	33,050	173,325
Accretion of preferred stock redemption value		58,561	346,673
Share-based compensation expense	928,302		928,302
Changes in assets and liabilities:			
Prepaid expenses	14,377	141,151	(23,753)
Deposits			(980)
Accounts payable and accrued expenses	490,345	(221,675)	683,459
Unearned grant revenue		(478,853)	
Total adjustments	1,474,753	(467,766)	2,107,026
Net cash used in operating activities	(1,611,173)	(894,656)	(7,262,513)
Cash flows from investing activities:			
Purchase of property and equipment		(1,843)	(151,811)
Net cash used in investing activities		(1,843)	(151,811)
Cash flows from financing activities:			
Net proceeds from sale of common stock	255,000	2,212,849	7,417,857
Net proceeds from sale of preferred stock			728,443
Proceeds from issuance of note payable			250,000
Repayment of note payable			(250,000)
Net cash provided by financing activities	255,000	2,212,849	8,146,300
Net increase (decrease) in cash and cash equivalents	(1,356,173)	1,316,350	731,976
Cash and cash equivalents at beginning of period	2,088,149	1,272,707	
Cash and cash equivalents at end of period	\$ 731,976	\$ 2,589,057	\$ 731,976
Supplemental disclosure of cash flow information:			
Interest paid	\$	\$	\$ 5,669



**Table of Contents**

**GEOVAX LABS, INC.**  
**(A DEVELOPMENT-STAGE ENTERPRISE)**  
**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**September 30, 2007**

**1. Description of Company and Basis of Presentation**

GeoVax Labs, Inc. ( GeoVax or the Company ), is a development stage biotechnology company engaged in research and development activities with a mission to develop, license and commercialize the manufacture and sale of human vaccines for diseases caused by Human Immunodeficiency Virus (HIV) and other infectious agents. The Company has exclusively licensed from Emory University certain Acquired Immune Deficiency Syndrome (AIDS) vaccine technology which was developed in collaboration with the National Institutes of Health and the Centers for Disease Control and Prevention.

GeoVax was originally incorporated under the laws of Illinois as Dauphin Technology, Inc. ( Dauphin ). Until December 2003, Dauphin marketed mobile hand-held, pen-based computers and broadband set-top boxes and provided private, interactive cable systems to the extended stay hospitality industry. The Company was unsuccessful and its operations were terminated in December 2003. On September 28, 2006, Dauphin completed a merger (the Merger ) with GeoVax, Inc. which was incorporated on June 27, 2001 (date of inception ). As a result of the Merger, the shareholders of GeoVax, Inc. exchanged their shares of common stock for Dauphin common stock and GeoVax, Inc. became a wholly-owned subsidiary of Dauphin. In connection with the Merger, Dauphin changed its name to GeoVax Labs, Inc., replaced its officers and directors with those of GeoVax, Inc. and moved its offices to Atlanta, Georgia. The Company currently does not plan to conduct any business other than GeoVax, Inc. s business of developing new products for the protection from, and treatment of, human diseases.

The Merger was accounted for under the purchase method of accounting as a reverse acquisition in accordance with U.S. generally accepted accounting principles. Under this method of accounting, Dauphin was treated as the acquired company and, for accounting purposes, the Merger was treated as the equivalent of GeoVax, Inc. issuing stock for the net monetary assets of Dauphin, accompanied by a recapitalization of GeoVax, Inc. Accordingly, all prior year comparative financial information presented in the accompanying condensed consolidated financial statements, or in the notes herein, as well as any references to prior operations, are those of GeoVax, Inc.

The Company is a development stage enterprise as defined by Statement of Financial Accounting Standards ( SFAS ) No. 7, Accounting and Reporting by Development Stage Enterprises , and we are devoting substantially all of our present efforts to research and development. We have funded our activities to date almost exclusively from equity financings and government grants. We will continue to require substantial funds to continue our research and development activities, including preclinical studies and clinical trials of our product candidates, and to commence sales and marketing efforts, if the United States Food and Drug Administration ( FDA ) or other regulatory approvals are obtained. In September 2007, the National Institutes of Health awarded the Company a grant of approximately \$15 million to be funded over a 5 year period (See Note 8). Although a portion of the proceeds of this grant will be used to fund our existing operations, the majority of the proceeds are earmarked for new projects requiring incremental spending. In order to meet our current and future operating cash flow requirements we are considering additional offerings of our common stock, debt or convertible debt instruments. While we believe that we will be successful in obtaining the necessary financing to fund our operations, there can be no assurances that such additional funding will be achieved and that we will succeed in our future operations. The accompanying financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities and commitments in the normal course of business. The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or amounts of liabilities that might be necessary should the Company be unable to continue in existence.

The accompanying consolidated financial statements at September 30, 2007 and for the three month and nine month periods ended September 30, 2007 and 2006 are unaudited, but include all adjustments, consisting of normal recurring entries, which the Company s management believes to be necessary for a fair presentation of the dates and periods presented. Interim results are not necessarily indicative of results for a full year. The financial statements should be read in conjunction with the Company s audited financial statements included in its Annual Report on Form

10-K filed with the SEC on March 28, 2007. Our operating results are expected to fluctuate for the foreseeable future. Therefore, period-to-period comparisons should not be relied upon as predictive of the results in future periods.

**Table of Contents**

The Company disclosed in Note 2 to its financial statements included in the Form 10-K for the year ended December 31, 2006 those accounting policies that it considers significant in determining its results of operations and financial position. There have been no material changes to, or application of, the accounting policies previously identified and described in the Form 10-K.

**2. New Accounting Pronouncements**

In July 2006, the Financial Accounting Standards Board ( FASB ) issued FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes - an interpretation of FASB Statement No. 109* ( FIN 48 ), which seeks to reduce the diversity in practice associated with the accounting and reporting for uncertainty in income tax positions. FIN 48 prescribes a comprehensive model for the financial statement recognition, measurement, presentation and disclosure of uncertain tax positions taken or expected to be taken in an income tax return. FIN 48 presents a two-step process for evaluating a tax position. The first step is to determine whether it is more-likely-than-not that a tax position will be sustained upon examination, based on the technical merits of the position. The second step is to measure the benefit to be recorded from tax positions that meet the more-likely-than-not recognition threshold, by determining the largest amount of tax benefit that is greater than 50 percent likely of being realized upon ultimate settlement, and recognizing that amount in the financial statements. The accounting provisions of FIN 48 became effective for us beginning January 1, 2007. See Note 7.

In February 2007, the FASB issued Statement of Financial Accounting Standards No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities* ( SFAS 159 ). SFAS 159 permits entities to choose to measure many financial instruments and certain other items at fair value that are not currently required to be measured at fair value. SFAS 159 will be effective for the us on January 1, 2008. We do not expect the adoption of this statement to have a material impact on our financial condition or results of operations.

We do not believe that any other recently issued, but not yet effective, accounting standards if currently adopted would have a material effect on our financial statements.

**3. Basic and Diluted Loss Per Common Share**

Basic net loss per share is computed using the weighted-average number of common shares outstanding during the period. Diluted net loss per share is computed using the weighted-average number of common shares and potentially dilutive common shares outstanding during the period. Potentially dilutive common shares primarily consist of employee stock options and warrants. Common share equivalents which potentially could dilute basic earnings per share in the future, and which were excluded from the computation of diluted loss per share, as the effect would be anti-dilutive, totaled approximately 63.6 million and 56.4 million shares at September 30, 2007 and 2006, respectively.

**4. Stock-Based Compensation**

We currently have one equity-based compensation plan from which stock-based compensation awards can be granted to employees and directors. We have also issued stock options and stock purchase warrants to external consultants for services rendered. We recorded stock-based compensation expense of \$653,318 and \$928,302 for the three month and nine month periods ended September 30, 2007. Included in these amounts are (a) \$227,288 of expense associated with a 5 year extension of a previously issued stock option grant to our President and Chief Executive Officer, which was due to expire in December 2007, and (b) \$53,775 associated with the issuance of a stock purchase warrant for consulting services. For the three month period ending September 30, 2007, total stock-based compensation expense of \$653,318 was allocated \$173,014 to research and development expense and \$480,304 to general and administrative expense. For the nine month period ending September 30, 2007, total stock-based compensation expense of \$928,302 was allocated \$186,899 to research and development expense and \$741,403 to general and administrative expense. No stock-based compensation expense was recorded for the same periods in 2006.

The following table sets forth fair value per share information, including related weighted average assumptions, used to determine stock-based compensation cost for our stock options consistent with the requirements of Statement of Financial Accounting Standards No.123 (revised 2004), *Share-Based Payments* ( SFAS 123R ):

**Table of Contents**

	Nine Months Ended September 30,	
	2007	2006
Weighted average fair value per share of options granted	\$ 0.30	\$ n/a
Assumptions:		
Expected volatility	107.91%	n/a
Expected annual dividend yield	0.00%	n/a
Risk-free rate of return	4.47%	n/a
Expected option term (years)	6.9	n/a

The following table summarizes stock option activity for the nine months ended September 30, 2007:

	Number of Shares	Weighted Average Exercise Price
Outstanding at December 31, 2006	34,431,032	\$ 0.04
Granted	9,810,000	0.35
Exercised	(123,550)	0.04
Forfeited or Expired	(5,989,725)	0.04
Outstanding at September 30, 2007	38,127,757	0.12
Exercisable at September 30, 2007	31,407,249	\$ 0.07

In addition to outstanding stock options, as of September 30, 2007 we have a total of 25,471,605 outstanding stock purchase warrants issued to investors and consultants with exercise prices ranging from \$0.07 to \$0.75.

As of September 30, 2007, there was \$2,915,717 of unrecognized compensation expense related to stock-based compensation arrangements. The unrecognized compensation expense is expected to be recognized over a weighted average period of 2.1 years.

**5. Commitments Manufacturing Contracts**

In June 2007, we entered into two manufacturing contracts with third party suppliers for the production of vaccine to be used in our Phase II human clinical trials planned for 2008. The terms of the contracts call for a total of approximately \$1,488,000 to be paid during the contract periods (anticipated to run through early 2008). Through September 30, 2007, we recorded approximately \$412,000 of expense associated with these contracts (including our estimate of contract expenses incurred but unbilled), leaving approximately \$1,076,000 in unrecorded contractual commitments as of that date.

**6. Private Placements of Common Stock and Warrants**

In January 2007, we sold 1,543,210 shares of our common stock to two individual accredited investors for an aggregate purchase price of \$250,000. We also issued to the investors warrants to purchase an aggregate of 771,605 shares of common stock at a price of \$0.75 per share, expiring on December 31, 2009.

In July 2007, we entered into a Subscription Agreement with an institutional investor (the Investor), pursuant to which we agreed, subject to certain customary closing conditions, to sell to the Investor 48,387,097 shares of our common stock for a price of \$0.155 per share, or an aggregate of \$7,500,000. Pursuant to the Subscription Agreement, we also agreed to issue to the Investor a 3 year stock purchase warrant to purchase 18,333,333 shares of our common stock at an exercise price of \$0.33 per share upon the first closing, and, upon the second closing, a warrant to purchase 16,666,667 shares of our common stock at an exercise price equal to the closing market price of our common stock as of the date immediately preceding the final closing. The Subscription Agreement originally contemplated the consummation of the transaction in two closings, during August and November. To date, the Investor has been unable to close this transaction due to administrative factors associated with the formation of the investment fund managed by the Investor. In September 2007, the Investor advanced \$300,000 to us as payment towards its obligation associated

with the first closing, but it is unlikely the remainder of the funds will be received.



**Table of Contents****7. Income Taxes**

As discussed in Note 2, we adopted the provisions of FIN 48 effective January 1, 2007. There was no impact on our financial statements upon adoption. Because of our historically significant net operating losses, we have not been subject to income tax since inception. We maintain deferred tax assets that reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. These deferred tax assets include net operating loss carryforwards and research and development credits. The net deferred tax asset has been fully offset by a valuation allowance because of the uncertainty of our future profitability and our ability to utilize the deferred tax assets. Utilization of operating losses and credits may be subject to substantial annual limitations due to ownership change provisions of Section 382 of the Internal Revenue Code. The annual limitation may result in the expiration of net operating losses and credits before utilization.

**8. Receipt of NIH Grant**

In September 2007, the National Institutes of Health (NIH) awarded us an Integrated Preclinical/Clinical AIDS Vaccine Development (IPCAVD) grant to support our HIV/AIDS vaccine program. The project period for the grant covers a five year period commencing October 2007, with an award of approximately \$3 million per year, or \$15 million in the aggregate. We will utilize this funding to further our HIV/AIDS vaccine development, optimization, production and human clinical trial testing including Phase 2 human clinical trials planned for 2008. We will record revenue associated with the grant as the related costs and expenses are incurred.

**Item 2 Management's Discussion and Analysis of Financial Condition And Results of Operations****SAFE HARBOR STATEMENT**

*In addition to historical information, the information included in this Form 10-Q contains forward-looking statements. Forward-looking statements involve numerous risks and uncertainties and should not be relied upon as predictions of future events. Certain such forward-looking statements can be identified by the use of forward-looking terminology such as "believes," "expects," "may," "will," "should," "seeks," "approximately," "intends," "plans," "pro forma," "estimates," or "anticipates" or other variations thereof or comparable terminology, or by discussions of strategy, plans or intentions. Such forward-looking statements are necessarily dependent on assumptions, data or methods that may be incorrect or imprecise and may be incapable of being realized. The following factors, among others, could cause actual results and future events to differ materially from those set forth or contemplated in the forward-looking statements:*

*whether we can raise additional capital as and when we need it;*

*whether we are successful in developing our product;*

*whether we are able to obtain regulatory approvals in the United States and other countries for sale of our product; and*

*whether we can compete successfully with others in our market.*

*Readers are cautioned not to place undue reliance on forward-looking statements, which reflect our management's analysis only. We assume no obligation to update forward-looking statements.*

Management's discussion and analysis of results of operations and financial condition are based upon our financial statements. These statements have been prepared in accordance with accounting principles generally accepted in the United States of America. These principles require management to make certain estimates, judgments and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an ongoing basis we evaluate these estimates based on historical experience and various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

**Overview**

GeoVax is a clinical stage biotechnology company focused on developing human vaccines for diseases caused by Human Immunodeficiency Virus and other infectious agents. We have exclusively licensed from Emory University certain AIDS vaccine technology which was developed in collaboration with the National Institutes of Health and the Centers for Disease Control and Prevention.



**Table of Contents**

Our AIDS vaccine candidates have successfully completed preclinical efficacy testing in non-human primates and Phase I clinical testing trial in humans. The human trial was conducted by the HIV Vaccine Trials Network (HVTN), a division of the National Institute of Allergy and Infectious Disease (NIAID) of the National Institutes of Health (NIH) and was satisfactorily concluded in June 2004.

A series of four additional human trials (conducted by the HVTN) evaluating our AIDS vaccines at several locations in the United States began in April 2006. One trial began in April 2006, a second trial began in September 2006, and the third and fourth trials began in July 2007. We anticipate beginning a Phase II human clinical trial in 2008. The cost of conducting the human clinical trials to date have been borne by HVTN, with GeoVax incurring costs associated with manufacturing the clinical vaccine supplies and other study support. Our vaccine manufacturing costs, as well as the costs of our preclinical testing have been partially funded by grants from the National Institutes of Health issued to Dr. Harriet Robinson at Emory University and subcontracted to us pursuant to collaborative arrangements with Emory. Dr. Robinson is a founder of GeoVax and also serves as our Chief Scientific Officer. We do not anticipate any further subcontracting revenue through the arrangement with Emory, but we expect that HVTN will bear the cost of conducting our planned Phase II human clinical study. As we progress to the later stages of our vaccine development activities, government financial support may be more difficult to obtain, or may not be available at all. It will, therefore, be necessary for us to look to other sources of funding in order to finance our development activities.

We anticipate incurring additional losses for several years as we expand our drug development and clinical programs. We also expect that losses will fluctuate from quarter to quarter and that such fluctuations may be substantial. Conducting clinical trials for our drug candidates in development is a lengthy, time-consuming and expensive process. We do not expect to generate product sales from our drug discovery and development efforts for several years. If we are unable to successfully develop and market pharmaceutical products over the next several years, our business, financial condition and results of operations would be adversely impacted.

**Critical Accounting Policies and Estimates**

We have identified the following accounting principles that we believe are key to an understanding of our financial statements. These important accounting policies require management's most difficult, subjective judgments.

*Other Assets* Other assets consist principally of license agreements for the use of technology obtained through the issuance of our common stock. These license agreements are amortized on a straight line basis over ten years.

*Impairment of Long-Lived Assets* We review long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of the assets to the future net cash flows expected to be generated by such assets. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the discounted expected future net cash flows from the assets.

*Stock-Based Compensation* Effective January 1, 2006, we adopted SFAS 123R, which requires the measurement and recognition of compensation expense for all share-based payments made to employees and directors based on estimated fair values on the grant date. SFAS 123R replaces SFAS 123, Accounting for Stock-Based Compensation (SFAS 123), and supersedes Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees. We adopted SFAS 123R using the prospective application method which requires us to apply the provisions of SFAS 123R prospectively to new awards and to awards modified, repurchased or cancelled after December 31, 2005. Awards granted after December 31, 2005 are valued at fair value in accordance with the provisions of SFAS 123R and recognized on a straight line basis over the service periods of each award. Our adoption of SFAS 123R had no impact on our prior period financial statements. Prior to adoption of SFAS 123R, we accounted for stock-based compensation expense using the intrinsic-value method, in which compensation expense was based on the difference, if any, on the measurement date (generally the grant date) between the fair value of the Company's stock and the exercise price. During the three month and nine month periods ending September 30, 2007, our adoption of SFAS 123R required us to recognize \$653,318 and \$928,302, respectively, of stock-based compensation expense; no stock-based compensation expense was recorded for the comparable periods of 2006. As of September 30, 2007, there was \$2,915,717 of unrecognized compensation expense related to stock-based compensation arrangements. The

unrecognized compensation expense is expected to be recognized over a weighted average period of 2.1 years.

**Table of Contents****Results of Operations**

We recorded a net loss of \$1,165,519 for the three months ended September 30, 2007 as compared to \$283,434 for the three months ended September 30, 2006. For the nine months ended September 30, 2007, we recorded a net loss of \$3,085,926, as compared to \$429,890 for the nine months ended September 30, 2006. Our operating results will typically fluctuate due to the timing of activities and related costs associated with our vaccine research and development activities. However, the increase in our net loss from 2006 to 2007 is primarily attributable to (a) the lack of grant revenues during 2007, (b) increased research and development expenditures and (c) overall higher general and administrative costs, all of which are described in more detail below.

During the three months and nine months ended September 30, 2007 we recorded no grant revenue, as compared to \$-0- and \$478,853 recorded during the three months and nine months ended September 30, 2006, respectively. Grant revenue reported during the 2006 periods relates to projects covered by grants from the National Institutes of Health issued to Emory University and subcontracted to us pursuant to collaborative arrangements with Emory University. The activities associated with these grants were completed during 2006 and we received no additional grant funding during the nine month period ended September 30, 2007. During September, however, we were notified by the National Institutes of Health (NIH) that it had awarded us an Integrated Preclinical/Clinical AIDS Vaccine Development (IPCAVD) grant to support our HIV/AIDS vaccine program. The project period for this grant covers a five year period commencing October 2007, with an award of approximately \$3 million per year, or \$15 million in the aggregate. We will utilize this funding to further our HIV/AIDS vaccine development, optimization, production and human clinical trial testing including Phase 2 human clinical trials planned for 2008. We will record revenue associated with the grant as the related costs and expenses are incurred.

During the three months and nine months ended September 30, 2007, we incurred \$360,227 and \$1,273,245, respectively, of research and development expense as compared to \$173,047 and \$509,371, respectively, during the three months and nine months ended September 30, 2006. Research and development expense for the three month and nine month periods of 2007 include stock compensation expense of \$173,014 and \$186,899, respectively (see discussion below). Research and development expenses vary considerably on a quarter-to-quarter basis, depending on our need for vaccine manufacturing and testing of manufactured vaccine by third parties. Currently we expect that our planned human clinical trials will be conducted and funded by the HVTN, but that we will be responsible for the manufacture of vaccine product to be used in the trials. During the nine months ended September 30, 2007, we incurred approximately \$412,000 associated with two manufacturing contracts to produce vaccine for use in our Phase II human clinical trials planned to begin in 2008. We expect to incur approximately an additional \$1,076,000 during the remainder of 2007 and early 2008 associated with these contracts. We expect that our research and development costs will continue to increase as we progress through the human clinical trial process leading up to possible product approval by the FDA. Research and development costs will also increase as a direct result of our receipt of the NIH grant discussed above, since a significant portion of the grant funds are earmarked to be spent on new projects requiring external resources and new personnel.

During the three months and nine months ended September 30, 2007, we incurred general and administrative costs of \$814,803 and \$1,864,978, respectively, as compared to \$136,290 and \$438,314, respectively, during the three months and nine months ended September 30, 2006. General and administrative costs include officers' salaries, legal and accounting costs, patent costs, and amortization expense associated with intangible assets. General and administrative costs for the three month and nine month periods of 2007 include stock compensation expense of \$480,304 and \$741,403, respectively (see discussion below). Our general and administrative costs have increased substantially over the prior year, primarily due to the additional costs associated with being a public company subsequent to the Merger in September 2006. These costs include the hiring of a Chief Financial Officer and of a Senior Vice President, higher legal and accounting fees, fees and expenses associated with an expanded Board of Directors, and the cost of implementing an investor relations program.

During the three months and nine months ended September 30, 2007, we recorded total stock compensation expense of \$653,318 and \$928,302, respectively, which is included in research and development expense, or general and administrative expense according to the classification of cash compensation paid to the employee, consultant or director to which the stock compensation was granted. No stock compensation expense was recorded during 2006.

Stock compensation expense is calculated and recorded in accordance with the provisions of SFAS 123R. We adopted SFAS 123R using the prospective application method which requires us to apply its provisions prospectively to new awards and to awards modified, repurchased or cancelled after December 31, 2005. Awards granted after December 31, 2005 are valued at fair value in accordance with the provisions of SFAS 123R and recognized on a straight line basis over the service periods of each award. We did not grant or modify any share-based compensation during the three months or nine

**Table of Contents**

months ended September 30, 2006, thus no expense was recorded during those periods. As of September 30, 2007, there was \$2,915,717 of unrecognized compensation expense related to stock-based compensation arrangements. The unrecognized compensation expense is expected to be recognized over a weighted average period of 2.1 years.

Interest income for the three months and nine months ended September 30, 2007 was \$9,511 and \$52,297, respectively, as compared to \$25,903 and \$41,942, respectively, for the three months and nine months ended September 30, 2006. The variances between periods are primarily attributable to the incremental cash balances available for investment during 2007.

**Liquidity and Capital Resources**

At September 30, 2007 our cash and cash equivalents totaled \$731,976, as compared to \$2,088,149 at December 31, 2006, a decrease of \$1,356,173. Working capital totaled \$72,270 at September 30, 2007, compared to \$1,933,165 at December 31, 2006. We believe that our current working capital, combined with the proceeds from the newly awarded grant from the NIH (see Note 8) will be sufficient to support our planned level of operations through the end of 2007. In order to meet our current and future operating cash flow requirements we are considering additional offerings of our common stock, debt or convertible debt instruments, and we are currently in discussions with several sources of potential capital. While we believe that we will be successful in obtaining the necessary financing to fund our operations, there can be no assurances that such additional funding will be achieved and that we will succeed in our future operations.

**Sources of Cash.** Due to our significant research and development expenditures, we have not been profitable and have generated operating losses since our inception in 2001. Our primary source of cash during the three months and nine months ended September 30, 2007 was from sales of our equity securities.

**Cash Flows from Operating Activities.** Net cash used in operating activities was \$1,611,173 for the nine months ended September 30, 2007, as compared to \$894,656 for the nine months ended September 30, 2006. The difference between the periods is primarily due to fluctuations in our net losses, offset by non-cash items such as depreciation, amortization and share-based compensation expense, and net changes in our assets and liabilities.

**Cash Flows from Investing Activities.** Our investing activities have consisted predominantly of capital expenditures. We have had no capital expenditures thus far during 2007. Capital expenditures for the nine months ended September 30, 2006 were \$1,843.

**Cash Flows from Financing Activities.** Net cash provided by financing activities was \$255,000 and \$2,212,849 for the nine months ended September 30, 2007 and 2006, respectively. During the nine months ended September 30, 2007, we received \$250,000 in proceeds from the sale of our common stock (see Note 6) and \$5,000 from the exercise of employee stock options.

In July 2007, we entered into a Subscription Agreement with an institutional investor (the "Investor") for the private placement of our common stock for an aggregate total of \$7.5 million. This agreement originally contemplated the consummation of the transaction in two closings, during August and November. To date, the Investor has been unable to close this transaction due to administrative factors associated with the formation of the investment fund managed by the Investor. In September 2007, the Investor advanced \$300,000 to us as payment towards its obligation associated with the first closing, but it is unlikely that the remainder of the funds will be received. We are continuing discussions with the Investor, but have also initiated discussions with alternative sources of equity capital.

Our capital requirements, particularly as they relate to product research and development, have been and will continue to be significant. We intend to seek FDA approval of our products, which may take several years. We do not expect to generate revenues from our products for at least several years and we will be dependent on obtaining financing from third parties in order to maintain our operations, including our clinical program. In order to meet our future operating cash flow requirements we will consider additional offerings of our common stock, debt or convertible debt instruments. We cannot assure that adequate additional funding will be available to us on favorable terms, or at all. If we fail to obtain additional funding when needed, we would be forced to scale back, or terminate, our operations, or to seek to merge with, or to be acquired by, another company.

**Table of Contents**

**Item 3 Quantitative and Qualitative Disclosures About Market Risk**

We do not currently have any market risk sensitive instruments held for trading purposes or otherwise, therefore, we do not have exposure to interest rate risk, foreign currency exchange rate risk, commodity price risk, and other relevant market risks.

**Item 4 Controls and Procedures**

*Evaluation of disclosure controls and procedures*

Disclosure controls and procedures are controls and other procedures that are designed to ensure that the information required to be disclosed in reports filed or submitted under the Securities Exchange Act of 1934, as amended (Exchange Act), is (1) recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and (2) accumulated and communicated to management, including the chief executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

Our management has carried out an evaluation, under the supervision and with the participation of our President and our Principal Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, our President and Chief Financial Officer have concluded that our disclosure controls and procedures are effective to ensure that information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms.

*Changes in internal control over financial reporting*

There was no change in our internal control over financial reporting that occurred during the three months ended September 30, 2007 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

**PART II OTHER INFORMATION**

**Item 1 Legal Proceedings**

None

**Item 1A Risk Factors**

We face a number of substantial risks. Our business, financial condition, results of operations and stock price could be materially adversely affected by any of these risks. The following factors should be considered in connection with the other information contained in this Quarterly Report on Form 10-Q.

***We are a development stage company and, other than research and development, have no other operations.***

We are a development stage company and, other than our research and development activities, have no other operations. Our products are not ready for sale. These factors raise substantial doubt about our ability to continue in business. During the nine months ended September 30, 2007, we had a net loss of \$3,085,926 and a net loss since inception of \$9,369,539.

***Our products are still being developed and are unproven. These products may not be successful.***

In order to become profitable we must generate revenue through sales of our products, however our products are in varying stages of development and testing. Our products have not been proven in human research trials and have not been approved by any government agency for sale. If we cannot successfully develop and prove our products, and if we do not develop other sources of revenue, we will not become profitable and at some point we would discontinue operations.



**Table of Contents**

***We have sold no products or generated any product or licensing revenues and we do not anticipate any significant revenues to be generated for several years.***

We have conducted pre-clinical trials and are conducting clinical trials and will continue to do so for several more years before we are able to commercialize our technology. There can be no assurance that we will ever generate significant revenues from the sale or licensing of our products or technology.

***Our business will require continued funding. If we do not receive adequate funding, we may not be able to continue our operations.***

To date, we have financed our operations principally through the private placement of common and preferred stock, and from government grants. We will require substantial additional financing at various intervals for our operations, including for clinical trials, for operating expenses including intellectual property protection and enforcement, for pursuit of regulatory approvals and for establishing or contracting out manufacturing, marketing and sales functions. There is no assurance that such additional funding will be available on terms acceptable to us or at all. If we are not able to secure the significant funding that is required to maintain and continue our operations at current levels or at levels that may be required in the future, we may be required to severely curtail, or even to cease, our operations.

In July 2007, we entered into a Subscription Agreement with an institutional investor (the Investor), for the sale of \$7,500,000 of our common stock (See Note 6). The Subscription Agreement originally contemplated the consummation of the transaction in two closings, during August and November. To date, the Investor has been unable to close this transaction due to administrative factors associated with the formation of the investment fund managed by the Investor. In September 2007, the Investor advanced \$300,000 to us as payment towards its obligation associated with the first closing, but it is unlikely that the remainder of the funds will be received. We are continuing discussions with the Investor, but have also initiated discussions with alternative sources of equity capital. While we believe that we will be successful in obtaining the necessary financing to fund our operations, there can be no assurances that such additional funding will be achieved and that we will succeed in our future operations.

***We are subject to the risks and uncertainties inherent in new businesses. Our failure to plan or forecast accurately could have a material adverse impact on our development.***

We are subject to the risks and uncertainties inherent in new businesses, including the following:

we may not have enough money to develop our products and bring them to market;

we may experience unanticipated development or marketing expenses, which may make it more difficult to develop our products and bring them to market;

even if we are able to develop products and bring them to market, we may not earn enough revenue from the sales of our products to cover the costs of operating our business.

If, because of our failure to plan or project accurately, we are unsuccessful in our efforts to develop products or if the products we develop do not produce revenues as anticipated, it is not likely we will ever become profitable and we may be required to curtail some or all of our operations.

***Our success will be dependent, in part, upon our President and Chief Executive Officer, Donald Hildebrand and Harriet Robinson, Chairman of our Scientific Advisory Board. The loss of the services of either of these individuals would have an adverse effect our operations.***

Our success depends, to a significant degree, on our continued receipt of services from our President and Chief Executive Officer, Mr. Donald G. Hildebrand, and on the research expertise of Dr. Harriet Robinson. The loss of services of either of these individuals would have a material adverse effect on our business and operations.

***Regulatory and legal uncertainties could result in significant costs or otherwise harm our business.***

In order to manufacture and sell our products, we must comply with extensive international and domestic regulation. In order to sell our products in the United States, approval from the FDA is required. The FDA approval process is expensive and time-consuming. We cannot predict whether our products will be approved by the FDA. Even if they are approved, we cannot predict the time frame for approval. Foreign regulatory requirements differ from jurisdiction to jurisdiction and may, in some cases, be more stringent or difficult to obtain than FDA approval. As with

the FDA, we cannot predict if or when we may obtain these regulatory approvals. If we cannot demonstrate that our products can be

**Table of Contents**

used safely and successfully in a broad segment of the patient population on a long-term basis, our products would likely be denied approval by the FDA and the regulatory agencies of foreign governments.

***We will face intense competition and rapid technological change that could result in products that are superior to the products we will be commercializing or developing.***

The market for vaccines that protect against and treat HIV/AIDS is intensely competitive and is subject to rapid and significant technological change. We will have numerous competitors in the United States and abroad, including, among others, large companies such as Merck & Co. and Chiron Inc. These competitors may develop technologies and products that are more effective or less costly than any of our future products or that could render our products obsolete or noncompetitive. We expect most of these competitors to have substantially more resources than us. In addition, the pharmaceutical industry continues to experience consolidation, resulting in an increasing number of larger, more diversified companies than us. Among other things, these companies can spread their research and development costs over much broader revenue bases than we can and can influence customer and distributor buying decisions.

Our products may not gain market acceptance among physicians, patients, healthcare payors and the medical community. Significant factors in determining whether we will be able to compete successfully include:

the efficacy and safety of our vaccines;

the time and scope of regulatory approval;

reimbursement coverage from insurance companies and others;

the price and cost-effectiveness of our products; and

patent protection.

***Our product candidates are based on new technology and, consequently, are inherently risky. Concerns about the safety and efficacy of our products could limit our future success.***

We are subject to the risks of failure inherent in the development of product candidates based on new technologies. These risks include the possibility that the products we create will not be effective, that our product candidates will be unsafe or otherwise fail to receive the necessary regulatory approvals or that our product candidates will be hard to manufacture on a large scale or will be uneconomical to market.

Many pharmaceutical products cause multiple potential complications and side effects, not all of which can be predicted with accuracy and many of which may vary from patient to patient. Long term follow-up data may reveal additional complications associated with our products. The responses of potential physicians and others to information about complications could materially affect the market acceptance of our products, which in turn would materially harm our business.

***Unsuccessful or delayed regulatory approvals required to exploit the commercial potential of our products could increase our future development costs or impair our future sales.***

None of our products or technologies have been approved by the FDA for sales in the United States or in foreign countries. To exploit the commercial potential of our technologies, we are conducting and planning to conduct additional pre-clinical studies and clinical trials. This process is expensive and can require a significant amount of time. Failure can occur at any stage of testing, even if the results are favorable. Failure to adequately demonstrate safety and efficacy in clinical trials would prevent regulatory approval and restrict our ability to commercialize our technologies. Any such failure may severely harm our business. In addition, any approvals we obtain may not cover all of the clinical indications for which approval is sought, or may contain significant limitations in the form of narrow indications, warnings, precautions or contraindications with respect to conditions of use, or in the form of onerous risk management plans, restrictions on distribution, or post-approval study requirements.

***State pharmaceutical marketing compliance and reporting requirements may expose us to regulatory and legal action by state governments or other government authorities.***

In recent years, several states, including California, Vermont, Maine, Minnesota, New Mexico and West Virginia, have enacted legislation requiring pharmaceutical companies to establish marketing compliance programs and file periodic reports on sales, marketing, pricing and other activities. Similar legislation is being considered in other states. Many of these requirements are new and uncertain, and available guidance is limited. Unless we are in full compliance with these

**Table of Contents**

laws, we could face enforcement action and fines and other penalties and could receive adverse publicity, all of which could harm our business.

***We may be subject to new federal and state legislation to submit information on our open and completed clinical trials to public registries and databases.***

In 1997, a public registry of open clinical trials involving drugs intended to treat serious or life-threatening diseases or conditions was established under the Food and Drug Administration Modernization Act, or the FDMA, in order to promote public awareness of and access to these clinical trials. Under the FDMA, pharmaceutical manufacturers and other trial sponsors are required to post the general purpose of these trials, as well as the eligibility criteria, location and contact information of the trials. Since the establishment of this registry, there has been significant public debate focused on broadening the types of trials included in this or other registries, as well as providing for public access to clinical trial results. A voluntary coalition of medical journal editors has adopted a resolution to publish results only from those trials that have been registered with a no-cost, publicly accessible database, such as [www.clinicaltrials.gov](http://www.clinicaltrials.gov). Federal legislation was introduced in the fall of 2004 to expand [www.clinicaltrials.gov](http://www.clinicaltrials.gov) and to require the inclusion of study results in this registry. The Pharmaceutical Research and Manufacturers of America has also issued voluntary principles for its members to make results from certain clinical studies publicly available and has established a website for this purpose. Other groups have adopted or are considering similar proposals for clinical trial registration and the posting of clinical trial results. Failure to comply with any clinical trial posting requirements could expose us to negative publicity, fines and other penalties, all of which could materially harm our business.

***We will face uncertainty related to pricing and reimbursement and health care reform.***

In both domestic and foreign markets, sales of our products will depend in part on the availability of reimbursement from third-party payors such as government health administration authorities, private health insurers, health maintenance organizations and other health care-related organizations. Reimbursement by such payors is presently undergoing reform and there is significant uncertainty at this time how this will affect sales of certain pharmaceutical products.

Medicare, Medicaid and other governmental healthcare programs govern drug coverage and reimbursement levels in the United States. Federal law requires all pharmaceutical manufacturers to rebate a percentage of their revenue arising from Medicaid-reimbursed drug sales to individual states. Generic drug manufacturers' agreements with federal and state governments provide that the manufacturer will remit to each state Medicaid agency, on a quarterly basis, 11% of the average manufacturer price for generic products marketed and sold under abbreviated new drug applications covered by the state's Medicaid program. For proprietary products, which are marketed and sold under new drug applications, manufacturers are required to rebate the greater of (a) 15.1% of the average manufacturer price or (b) the difference between the average manufacturer price and the lowest manufacturer price for products sold during a specified period.

Both the federal and state governments in the United States and foreign governments continue to propose and pass new legislation, rules and regulations designed to contain or reduce the cost of health care. Existing regulations that affect the price of pharmaceutical and other medical products may also change before any products are approved for marketing. Cost control initiatives could decrease the price that we receive for any product developed in the future. In addition, third-party payors are increasingly challenging the price and cost-effectiveness of medical products and services and litigation has been filed against a number of pharmaceutical companies in relation to these issues. Additionally, some uncertainty may exist as to the reimbursement status of newly approved injectable pharmaceutical products. Our products may not be considered cost effective or adequate third-party reimbursement may not be available to enable us to maintain price levels sufficient to realize an adequate return on our investment.

***Other companies may claim that we infringe their intellectual property or proprietary rights, which could cause us to incur significant expenses or prevent us from selling products.***

Our success will depend in part on our ability to operate without infringing the patents and proprietary rights of third parties. The manufacture, use and sale of new products have been subject to substantial patent rights litigation in the pharmaceutical industry. These lawsuits generally relate to the validity and infringement of patents or proprietary rights of third parties. Infringement litigation is prevalent with respect to generic versions of products for which the patent covering the brand name product is expiring, particularly since many companies which market generic products

focus their development efforts on products with expiring patents. Other pharmaceutical companies, biotechnology companies, universities and research institutions may have filed patent applications or may have been granted patents that cover aspects of our products or our licensors' products, product candidates or other technologies.

**Table of Contents**

Future or existing patents issued to third parties may contain patent claims that conflict with our products. We expect to be subject to infringement claims from time to time in the ordinary course of business, and third parties could assert infringement claims against us in the future with respect to our current products or with respect to products that we may develop or license. Litigation or interference proceedings could force us to:

stop or delay selling, manufacturing or using products that incorporate or are made using the challenged intellectual property;

pay damages; or

enter into licensing or royalty agreements that may not be available on acceptable terms, if at all.

Any litigation or interference proceedings, regardless of their outcome, would likely delay the regulatory approval process, be costly and require significant time and attention of our key management and technical personnel.

***Any inability to protect intellectual property rights in the United States and foreign countries could limit our ability to manufacture or sell products.***

We will rely on trade secrets, unpatented proprietary know-how, continuing technological innovation and, in some cases, patent protection to preserve a competitive position. Our patents and licensed patent rights may be challenged, invalidated, infringed or circumvented, and the rights granted in those patents may not provide proprietary protection or competitive advantages to us. We and our licensors may not be able to develop patentable products. Even if patent claims are allowed, the claims may not issue, or in the event of issuance, may not be sufficient to protect the technology owned by or licensed to us. Third party patents could reduce the coverage of the patent's license, or that may be licensed to or owned by us. If patents containing competitive or conflicting claims are issued to third parties, we may be prevented from commercializing the products covered by such patents, or may be required to obtain or develop alternate technology. In addition, other parties may duplicate, design around or independently develop similar or alternative technologies.

We may not be able to prevent third parties from infringing or using our intellectual property, and the parties from whom we may license intellectual property may not be able to prevent third parties from infringing or using the licensed intellectual property. We generally will attempt to control and limit access to, and the distribution of, our product documentation and other proprietary information. Despite efforts to protect this proprietary information, however, unauthorized parties may obtain and use information that we may regard as proprietary. Other parties may independently develop similar know-how or may even obtain access to these technologies.

The laws of some foreign countries do not protect proprietary information to the same extent as the laws of the United States, and many companies have encountered significant problems and costs in protecting their proprietary information in these foreign countries.

The U.S. Patent and Trademark Office and the courts have not established a consistent policy regarding the breadth of claims allowed in pharmaceutical patents. The allowance of broader claims may increase the incidence and cost of patent interference proceedings and the risk of infringement litigation. On the other hand, the allowance of narrower claims may limit the value of our proprietary rights.

***We may be required to defend lawsuits or pay damages for product liability claims.***

Product liability is a major risk in testing and marketing biotechnology and pharmaceutical products. We may face substantial product liability exposure in human clinical trials and for products that we sell after regulatory approval. We carry product liability insurance and we expect to continue such policies. Product liability claims, regardless of their merits, could exceed policy limits, divert management's attention, and adversely affect our reputation and the demand for our products.

***Compliance with requirements of Section 404 of the Sarbanes-Oxley Act of 2002 will increase our costs and require additional management resources, and we may not successfully comply.***

As directed by Section 404 of the Sarbanes-Oxley Act of 2002, the SEC adopted rules requiring public companies to include a report of management on the Company's internal controls over financial reporting in their annual reports on Form 10-K. In addition, the independent registered public accounting firm auditing the Company's financial statements must attest to and report on management's assessment of the effectiveness of the Company's internal

controls over financial reporting. Although the SEC has postponed the effectiveness of these requirements several times, if the SEC does



**Table of Contents**

not postpone or otherwise alter these requirements again, then we expect that the requirement to include a report of management on the Company's internal controls, including the requirement to include the attestation report of the Company's independent registered public accounting firm, will first apply to our annual report on Form 10-K for our fiscal year ending December 31, 2007. We will incur significant accounting and other expenses related to our compliance efforts; and compliance will occupy a substantial amount of time of our board of directors and management. If we are unable to complete the required assessment as to the adequacy of our internal control reporting or if we conclude that our internal controls over financial reporting are not effective or if our independent registered public accounting firm is unable to provide us with an unqualified report as to the effectiveness of our internal controls over financial reporting as of December 31, 2007 and future year-ends, investors could lose confidence in the reliability of our financial reporting. In addition, while we may expand our staff to assist in complying with the additional requirements when and if they become applicable, we may encounter substantial difficulty attracting qualified staff with requisite experience due to the high level of competition for experienced financial professionals. ***We may issue preferred stock in the future, and the terms of the preferred stock may reduce the value of our common stock***

We are authorized to issue up to 10,000,000 shares of preferred stock in one or more series. Our board of directors may determine the terms of future preferred stock offerings without further action by our stockholders. If we issue preferred stock, it could affect the rights of our common stockholders or reduce the value of our outstanding common stock. In particular, specific rights granted to future holders of preferred stock may include voting rights, preferences as to dividends and liquidation, conversion and redemption rights, sinking fund provisions, and restrictions on our ability to merge with or sell our assets to a third party.

***We may experience volatility in our stock price, which may adversely affect the trading price of our common stock.***

The market price for our common stock has been, and may continue to be, volatile and subject to price and volume fluctuations in response to market and other factors, including the following, some of which are beyond our control:

the increased concentration of the ownership of our shares by a limited number of affiliated stockholders following the Merger may limit interest in our securities;

variations in quarterly operating results from the expectations of securities analysts or investors;

announcements of technological innovations or new products or services by us or our competitors;

general technological, market or economic trends;

investor perception of the industry or our prospects;

investors entering into short sale contracts;

regulatory developments affecting the biopharmaceutical industry; and

additions or departures of key personnel.

***Future sales of substantial amounts of our common stock may adversely affect our market price.***

In connection with the Merger, we issued a significant number of additional shares of our common stock to a small number of stockholders. Although the shares issued in the Merger were not immediately freely tradable, such shares became tradable in market transactions on or about September 28, 2007 (one year after the closing of the Merger), subject to the requirements of Rule 144 promulgated under the Securities Exchange Act of 1934, as amended. Future sales of substantial amounts of our common stock into the public market, or perceptions in the market that such sales could occur, may adversely affect the prevailing market price of our common stock.

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

In January 2007 we issued 1,543,210 shares of our common stock to two individual investors for an aggregate purchase price of \$250,000. We relied on section 506 of the Securities Act of 1933 to issue the common stock,

inasmuch as the common stock was sold without any form of general solicitation or general advertising and sales were made only to accredited investors.

In January 2007 we issued 123,550 shares of our common stock to a former employee for an aggregate purchase price of \$5,000 pursuant to the exercise of stock options. We relied on section 4(2) of the Securities Act of 1933 to issue the common stock, inasmuch as the common stock was sold without any form of general solicitation or general advertising

**Table of Contents**

and the offeree occupied a status relative to us that afforded him effective access to the information registration would otherwise provide.

**Item 3 Default Upon Senior Securities**

None.

**Item 4 Submission of Matters to a Vote of Security Holders**

We held a Special Meeting of Stockholders on September 28, 2007 for the purpose of approving an amendment to our Articles of Incorporation in order to increase the number of authorized shares of our common stock from 850,000,000 to 900,000,000. With respect to the proposal: (i) 533,404,741 votes were cast for, (ii) 11,298,357 votes were cast against, and (iii) 162,282 shares abstained. Accordingly, the proposal was approved by our stockholders.

**Item 5 Other Information**

None.

**Item 6 Exhibits**

The Exhibits listed on the accompanying Index to Exhibits are filed as part hereof, or incorporated by reference into, the report.

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this quarterly report on Form 10-Q to be signed on its behalf by the undersigned thereunto duly authorized.

GEOVAX LABS, INC.  
(Registrant)

Date: November 14, 2007

By: /s/ Mark W. Reynolds  
Mark W. Reynolds  
Chief Financial Officer  
(duly authorized officer and principal financial officer)

18

---

**Table of Contents**

**INDEX TO EXHIBITS**

<b>Exhibit Number</b>	<b>Description</b>
2.1	Agreement and Plan of Merger dated January 20, 2006 by and among GeoVax, Inc., GeoVax Acquisition Corp. and Dauphin Technology, Inc. (1)
2.2	First Amendment to Agreement and Plan of Merger (2)
2.3	Second Amendment to Agreement and Plan of Merger (3)
3.1	Articles of Incorporation
3.2	Bylaws, as amended December 7, 2006 (4)
10.1	Subscription Agreement (5)
10.2	Extension Agreement (6)
31.1	Certification of President Pursuant to Section 302 of the Sarbanes-Oxley Act
31.2	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act
32.1	Certification of President Pursuant to Section 906 of the Sarbanes-Oxley Act
32.2	Certification of Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act
(1)	Incorporated by reference from the registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on January 24, 2006.
(2)	Incorporated by reference from the registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on January 24, 2006.

Commission on  
July 13, 2006.

- (3) Incorporated by reference from the registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on October 4, 2006.
- (4) Incorporated by reference from the registrant's Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 28, 2007.
- (5) Incorporated by reference from the registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on July 31, 2007.
- (6) Incorporated by reference from the registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on October 30, 2007.