GeoVax Labs, Inc.
Form 10-Q
November 08, 2010

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q

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

For the quarterly period ended September 30, 2010

OR

o **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)

Delaware	**87-0455038**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1900 Lake Park Drive Suite 380 Smyrna, Georgia	**30080**
(Address of principal executive offices)	(Zip Code)

(678) 384-7220

(Registrant s telephone number, including area code)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 45 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes o No o

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 o Accelerated filer þ Non-accelerated filer o Smaller reporting company o
(Do not check if a 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 o No þ

As of November 8, 2010, 15,654,846 shares of the Registrant s common stock, $.001 par value, were issued and outstanding.

GEOVAX LABS, INC.
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Part I FINANCIAL INFORMATION

Item 1 Financial Statements

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

	September 30, 2010 (Unaudited)	December 31, 2009
ASSETS		
Current assets:		
Cash and cash equivalents	$ 1,426,342	$ 3,515,784
Grant funds receivable	694,994	320,321
Prepaid expenses and other	15,649	44,615
Total current assets	2,136,985	3,880,720
Property and equipment, net of accumulated depreciation and amortization of $266,269 and $177,686 at September 30, 2010 and December, 31, 2009, respectively	255,619	344,202
Other assets:		
Licenses, net of accumulated amortization of $177,825 and $159,161 at September 30, 2010 and December 31, 2009, respectively	71,031	89,695
Deferred offering costs	517,173	
Deposits and other	11,990	980
Total other assets	600,194	90,675
Total assets	$ 2,992,798	$ 4,315,597
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	$ 354,502	$ 408,344
Amounts payable to Emory University (a related party)	492,517	163,021
Total current liabilities	847,019	571,365
Commitments		
Stockholders equity:		
	15,655	15,633

Common stock, $.001 par value, 40,000,000 shares authorized; 15,654,846 and 15,632,564 shares issued and outstanding at September 30, 2010 and December 31, 2009, respectively		
Additional paid-in capital	21,936,516	21,266,447
Deficit accumulated during the development stage	(19,806,392)	(17,537,848)
Total stockholders equity	2,145,779	3,744,232
Total liabilities and stockholders equity	$ 2,992,798	$ 4,315,597

See accompanying notes to condensed consolidated financial statements.

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

	Three Months Ended September 30,		Nine Months Ended September 30,		From Inception (June 27,2001) to September 30,
	2010	2009	2010	2009	2010
Grant revenue	$ 1,163,288	$ 1,808,551	$ 4,239,017	$ 3,271,506	$ 14,465,567
Operating expenses:					
Research and development	908,780	1,470,200	4,019,931	3,530,329	20,580,276
General and administrative	903,850	573,906	2,508,539	2,203,776	14,021,509
Total operating expenses	1,812,630	2,044,106	6,528,470	5,734,105	34,601,785
Loss from operations	(649,342)	(235,555)	(2,289,453)	(2,462,599)	(20,136,218)
Other income (expense):					
Interest income	4,676	4,740	20,909	21,622	335,495
Interest expense					(5,669)
Total other income (expense)	4,676	4,740	20,909	21,622	329,826
Net loss	$ (644,666)	$ (230,815)	$ (2,268,544)	$ (2,440,977)	$ (19,806,392)
Basic and diluted:					
Loss per common share	$ (0.04)	$ (0.02)	$ (0.14)	$ (0.16)	$ (1.99)
Weighted average shares outstanding	15,654,846	15,134,441	15,650,116	15,050,776	9,949,240

See accompanying notes to condensed consolidated financial statements.

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

	Common Stock		Additional Paid-In	Stock Subscription	Deficit Accumulated during the Development	Total Stockholders Equity
	Shares	Amount	Capital	Receivable	Stage	(Deficiency)
Capital contribution at inception (June 27, 2001)		$	$ 10	$	$	$ 10
Net loss for the period ended December 31, 2001					(170,592)	(170,592)
Balance at December 31, 2001			10		(170,592)	(170,582)
Sale of common stock for cash	2,789,954	2,790	(2,320)			470
Issuance of common stock for technology license	704,534	705	148,151			148,856
Net loss for the year ended December 31, 2002					(618,137)	(618,137)
Balance at December 31, 2002	3,494,488	3,495	145,841		(788,729)	(639,393)
Sale of common stock for cash	1,229,278	1,229	2,458,380			2,459,609
Net loss for the year ended December 31, 2003					(947,804)	(947,804)
Balance at December 31, 2003	4,723,766	4,724	2,604,221		(1,736,533)	872,412
Sale of common stock for cash and stock subscription receivable	1,482,605	1,483	2,988,436	(2,750,000)		239,919
Cash payments received on stock subscription receivable				750,000		750,000
Issuance of common stock for technology license	49,420	49	99,951			100,000
Net loss for the year ended December 31, 2004					(2,351,828)	(2,351,828)
Balance at December 31, 2004	6,255,791	6,256	5,692,608	(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	6,255,791	6,256	5,692,608	(500,000)	(5,699,447)	(500,583)
Cash payments received on stock subscription receivable				500,000		500,000
Conversion of preferred stock to common stock	3,550,851	3,551	1,071,565			1,075,116
Common stock issued in connection with merger	4,359,891	4,360	1,708,489			1,712,849
Issuance of common stock for cashless warrant exercise	56,825	57	(57)			
Net loss for the year ended December 31, 2006					(584,166)	(584,166)
Balance at December 31, 2006	14,223,358	14,224	8,472,605		(6,283,613)	2,203,216
Sale of common stock for cash	406,729	407	3,162,543			3,162,950
Issuance of common stock upon stock option exercise	2,471	2	4,998			5,000
Stock-based compensation expense			1,518,496			1,518,496
Net loss for the year ended December 31, 2007					(4,241,796)	(4,241,796)
Balance at December 31, 2007	14,632,558	$ 14,633	$ 13,158,642	$	$ (10,525,409)	$ 2,647,866

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

	Common Stock		Additional Paid-In	Stock Subscription	Deficit Accumulated during the Development	Total Stockholders Equity
	Shares	Amount	Capital	Receivable	Stage	(Deficiency)
Balance at December 31, 2007	14,632,558	$ 14,633	$ 13,158,642	$	$ (10,525,409)	$ 2,647,866
Sale of common stock for cash in private placement transactions	176,129	176	1,364,824			1,365,000
Transactions related to common stock purchase agreement with Fusion Capital	130,290	130	405,961			406,091
Stock-based compensation:						
Stock options			1,798,169			1,798,169
Consultant warrants			146,880			146,880
Issuance of common stock for consulting services	10,000	10	73,990			74,000
Net loss for the year ended December 31, 2008					(3,728,187)	(3,728,187)
Balance at December 31, 2008	14,948,977	14,949	16,948,466		(14,253,596)	2,709,819
Transactions related to common stock purchase agreement with Fusion Capital	216,261	216	1,519,784			1,520,000
Sale of common stock for cash upon exercise of stock purchase warrant	462,826	463	1,499,537			1,500,000
Stock-based compensation:						
Stock options			1,221,764			1,221,764
Consultant warrants			45,401			45,401
Issuance of common stock for consulting services	4,500	5	31,495			31,500
Net loss for the year ended December 31, 2009					(3,284,252)	(3,284,252)
Balance at December 31, 2009	15,632,564	15,633	21,266,447		(17,537,848)	3,744,232
Issuance of common stock in lieu of cash payment (unaudited)	12,000	12	89,988			90,000

Stock-based compensation (unaudited):						
Stock options			436,687			436,687
Consultant warrants			90,801			90,801
Issuance of common stock for consulting services	10,500	10	53,803			53,813
Fractional share payout upon reverse split (unaudited)	(218)		(1,210)			(1,210)
Net loss for the nine months ended September 30, 2010 (unaudited)					(2,268,544)	(2,268,544)
Balance at September 30, 2010 (unaudited)	15,654,846	$ 15,655	$ 21,936,516	$	$ (19,806,392)	$ 2,145,779

See accompanying notes to condensed consolidated financial statements.

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

	Nine Months Ended September 30,		From Inception (June 27, 2001) to September 30,
	2010	2009	2010
Cash flows from operating activities:			
Net loss	$ (2,268,544)	$ (2,440,977)	$ (19,806,392)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization	107,247	56,456	444,094
Accretion of preferred stock redemption value			346,673
Stock-based compensation expense	581,301	1,117,290	5,417,511
Changes in assets and liabilities:			
Grant funds receivable	(374,673)	(232,870)	(694,994)
Prepaid expenses and other current assets	28,966	245,994	(15,649)
Deferred offering costs	(260,000)		(260,000)
Deposits & other assets	(11,010)		(11,990)
Accounts payable and accrued expenses	364,444	2,352	935,809
Total adjustments	436,275	1,189,222	6,161,454
Net cash used in operating activities	(1,832,269)	(1,251,755)	(13,644,938)
Cash flows from investing activities:			
Purchase of property and equipment		(62,733)	(521,888)
Net cash used in investing activities		(62,733)	(521,888)
Cash flows from financing activities:			
Net proceeds from sale of common stock		2,540,000	15,121,898
Net proceeds from sale of preferred stock			728,443
Costs associated with planned stock offering	(257,173)		(257,173)
Net cash provided (used) by financing activities	(257,173)	2,540,000	15,593,168
Net increase (decrease) in cash and cash equivalents	(2,089,442)	1,225,512	1,426,342
Cash and cash equivalents at beginning of period	3,515,784	2,191,180	
Cash and cash equivalents at end of period	$ 1,426,342	$ 3,416,692	$ 1,426,342
Supplemental disclosure of cash flow information:			
Interest paid	$	$	$ 5,669

See accompanying notes to condensed consolidated financial statements.

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GEOVAX LABS, INC.
(A DEVELOPMENT-STAGE ENTERPRISE)
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2010
(unaudited)

1. Description of Company and Basis of Presentation

GeoVax Labs, Inc. (GeoVax or the Company), is a biotechnology company dedicated to developing vaccines that prevent and fight Human Immunodeficiency Virus (HIV) infections, that result in Acquired Immunodeficiency Syndrome (AIDS). We have exclusively licensed from Emory University (Emory) vaccine technology which was developed in collaboration with the National Institutes of Health (NIH) and the Centers for Disease Control and Prevention (CDC). GeoVax is incorporated under the laws of the State of Delaware and our principal offices are located in Smyrna, Georgia (metropolitan Atlanta area).

We have preventative vaccines being evaluated in a Phase 2a human clinical trial in individuals who are not HIV infected and have recently begun a Phase 1 human therapeutic clinical trial in individuals who are HIV infected. Our preventative vaccines seek to prevent or control infection by HIV, reduce the rate of disease progression to AIDS and reduce the risk of HIV transmission. Our therapeutic vaccines target impeding viral replication to reduce viral load in HIV infected individuals with a view to reducing or eliminating the need for anti-HIV medications, and thereby reduce the cost of treatment and the detrimental side effects associated with current drug treatments.

Our current vaccines under development address the subtype, known as clade B, of the HIV virus that is most prevalent in the developed world. Our vaccines have been shown to induce strong T-cell (a type of white blood cell) and antibody immune responses in non-human primates against the simian immunodeficiency virus, the primate version of the HIV virus. Our goals include applying our technology and expertise to develop additional HIV vaccines for global markets that have different clades of the virus, manufacturing and testing these vaccines, conducting human trials for vaccine safety and effectiveness, and obtaining regulatory approvals to advance the development and commercialization of our vaccines.

GeoVax is devoting all of its present efforts to research and development and is a development stage enterprise as defined by Financial Accounting Standards Board (FASB) Accounting Standard Codification (ASC) Topic 915, *Development Stage Entities*. The accompanying financial statements at September 30, 2010 and for the three and nine month periods ended September 30, 2010 and 2009 are unaudited, but include all adjustments, consisting of normal recurring entries, which we believe 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 our audited financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2009. 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.

We disclosed in Note 2 to our financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2009 those accounting policies that we consider significant in determining our results of operations and financial position. There have been no material changes to, or in the application of, the accounting policies previously identified and described in the Form 10-K.

As described in Note 5, on April 27, 2010, GeoVax effected a one-for-fifty reverse stock split of its common stock. The accompanying financial statements and all share and per share information contained herein, have been retroactively restated to reflect the reverse stock split.

2. New Accounting Standards

There have been no recent accounting pronouncements or changes in accounting pronouncements during the nine months ended September 30, 2010, as compared to the recent accounting pronouncements described in our Annual Report on Form 10-K for the fiscal year ended December 31, 2009, which we expect to have a material impact 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 issued to investors. 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 1.9 million and 1.8 million shares at September 30, 2010 and 2009, respectively.

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4. Commitments

Lease Agreement

We lease approximately 8,400 square feet of office and laboratory space located in Smyrna, Georgia (metropolitan Atlanta). Future minimum lease payments pursuant to the operating lease total $29,355 for the remainder of 2010, $118,010 in 2011, $121,560 in 2012, $125,180 in 2013 and $128,920 in 2014.

Other Commitments

In the normal course of business, we may enter into various firm purchase commitments related to production and testing of our vaccine material, and other research-related activities. As of September 30, 2010, we had approximately $501,000 of unrecorded outstanding purchase commitments to our vendors and subcontractors, all of which will be due in less than one year.

5. Stockholders Equity

Reverse Stock Split

The accompanying financial statements reflect a one-for-fifty reverse split of the Company s common stock approved by the board of directors and stockholders of the Company and made effective by an amendment to the Company s certificate of incorporation on April 27, 2010. All share and per share information herein that relates to the Company s common stock has been retroactively restated to reflect the reverse stock split.

Increase in Authorized Shares of Common Stock

On April 13, 2010, the stockholders of the Company approved an increase to the Company s authorized shares of common stock, from 18,000,000 to 40,000,000, made effective by filing an amendment to the Company s certificate of incorporation on April 13, 2010.

Common Stock Transactions

In February 2010, we issued 12,000 shares of our common stock in settlement of an obligation accrued at December 31, 2009 in the amount of $90,000. During March 2010, we issued an aggregate of 8,250 shares for consulting services and recorded general and administrative expense of $46,500 related to the issuances. During June 2010, we issued 2,250 shares for consulting services and recorded general and administrative expense of $7,313 related to the issuance.

Stock Options

In 2006, we adopted the GeoVax Labs, Inc. 2006 Equity Incentive Plan (the 2006 Plan) for the granting of qualified incentive stock options (ISO s), nonqualified stock options, restricted stock awards or restricted stock bonuses to employees, officers, directors, consultants and advisors of the Company. The exercise price for any option granted may not be less than fair value (110% of fair value for ISO s granted to certain employees). Options granted under the 2006 Plan have a maximum ten-year term and generally vest over three years. The Company has reserved 1,040,000 shares of its common stock for issuance under the 2006 Plan.

The following table summarizes stock option activity for the nine months ended September 30, 2010:

	Number of Shares	Weighted Average Exercise Price
Outstanding at December 31, 2009	958,956	$ 5.87
Granted	112,800	4.68
Exercised		
Forfeited or Expired	(36,400)	8.09
Outstanding at September 30, 2010	1,035,356	$ 5.66
Exercisable at September 30, 2010	796,049	$ 5.61

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Stock-based compensation expense related to the 2006 Plan was $137,049 and $436,687 for the three month and nine month periods ended September 30, 2010, respectively, as compared to $317,701 and $1,087,530 for the three month and nine month periods ended September 30, 2009, respectively. The table below shows the allocation of stock-based compensation expense related to our stock option plan between general and administrative expense and research and development expense. As of September 30, 2010, there was $848,651 of unrecognized compensation expense related to stock-based compensation arrangements subject to the 2006 Plan, which is expected to be recognized over a weighted average period of 2.0 years.

	Three Months Ended September 30,		Nine Months Ended September 30,	
Expense Allocated to:	2010	2009	2010	2009
General and Administrative Expense	$ 85,705	$ 232,262	$ 282,452	$ 831,215
Research and Development Expense	51,344	85,439	154,235	256,316
Total	$ 137,049	$ 317,701	$ 436,687	$ 1,087,530

Compensatory Warrants

We may, from time to time, issue stock purchase warrants to consultants or other service providers in exchange for services. As of September 30, 2010, there were a total of 59,400 shares of our common stock covered by outstanding stock warrants (all of which are currently exercisable) with a weighted average exercise price of $7.00 per share and a weighted average remaining contractual life of 1.9 years. We recorded general and administrative expense of $30,267 and $90,801 for the three and nine month periods ended September 30, 2010, respectively, related to the issuance of stock purchase warrants in exchange for services, as compared to $15,134 for the three month and nine month periods ended September 30, 2009, all of which was recorded as general and administrative expense. As of September 30, 2010, there was $30,256 of unrecognized compensation expense related to compensatory warrant arrangements, all of which is expected to be recognized during the fourth quarter of 2010.

Investment Warrants

In addition to outstanding stock options and compensatory warrants, as of September 30, 2010 we had stock purchase warrants covering a total of 848,194 shares of our common stock which were issued to investors in previous transactions, all of which are currently exercisable. Such warrants have a weighted-average exercise price of $16.50 per share and a weighted-average remaining contractual life of 1.8 years.

6. Income Taxes

Because of our historically significant net operating losses, we have not paid income taxes 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 are comprised primarily of net operating loss carryforwards and also include amounts relating to nonqualified stock options 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.

7. NIH Grant Funding

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, which is renewable annually, covers a five year period which commenced October 2007, with an expected annual award of generally between $3 and $4 million per year (approximately $19.4 million in the aggregate). The most recent award is for the period September 1, 2010 through August 31, 2011 in the amount of $4.9 million. We are utilizing this funding to further our HIV/AIDS vaccine development, optimization and production. We record revenue associated with the grant as the related costs and expenses are incurred and such revenue is reported as a separate line

item in our statements of operations.

8. Related Party Transactions

We are obligated to reimburse Emory University (a significant stockholder of the Company) for certain prior and ongoing costs in connection with the filing, prosecution and maintenance of patent applications subject to our technology license agreement from Emory. The expense associated with these ongoing patent cost reimbursements to Emory amounted to approximately $143,000 during the nine month period ending September 30, 2010.

We have entered into two research agreements with Emory for the purpose of conducting research and development activities associated with our IPCAVD grant from the NIH (see Note 7). During the nine month period ending September 30, 2010, we recorded approximately $1,231,000 of expense associated with these contracts. All amounts paid to Emory under these agreements are reimbursable to us pursuant to the IPCAVD grant from the NIH.

In March 2008, we entered into a consulting agreement with Donald Hildebrand, the Chairman of our Board of Directors and our former President and Chief Executive Officer, pursuant to which Mr. Hildebrand provides business and technical advisory services to the Company. The term of the consulting agreement began on April 1, 2008 and will end on December 31, 2010. During the nine month period ended September 30, 2010 we recorded $43,200 of expense associated with the consulting agreement.

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Item 2 Management s Discussion and Analysis of Financial Condition And Results of Operations

FORWARD LOOKING STATEMENTS

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, including but not limited to the risk factors set forth under the heading Risk Factors in the Annual Report on Form 10-K for the year ended December 31, 2009, 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 products;*
- *whether we are able to obtain regulatory approvals in the United States and other countries for sale of our products;*
- *whether we can compete successfully with others in our market; and*
- *whether we are adversely affected in our efforts to raise cash by the volatility and disruption of local and national economic, credit and capital markets and the economy in general.*

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.

Overview

GeoVax, a biotechnology company, focuses on developing vaccines to protect against or to treat diseases caused by HIV. We have exclusively licensed vaccine technology from Emory University that was developed at Emory University in collaboration with the NIH and the CDC.

Our major ongoing research and development programs are focused on the clinical development of vaccines designed for use in a prime-boost system for the prevention and/or treatment of HIV/AIDS. We are developing two clinical pathways for our vaccine candidates (i) as a preventative vaccine to prevent or control infection of individuals who are exposed to the HIV virus, and (ii) as a therapeutic vaccine to prevent development of AIDS in those individuals who have already been infected with the HIV virus. Our vaccine candidates incorporate two delivery components: a recombinant DNA (deoxyribonucleic acid); and a recombinant poxvirus, designated modified vaccinia Ankara (MVA), which both deliver genes that encode inactivated HIV derived proteins to the immune system. Both components are designed to support production of non-infectious virus-like particles in vaccinated individuals that prime and boost immune responses. When administered in series, our vaccine candidates induce strong T cell and antibody responses against multiple HIV proteins.

Our HIV vaccine candidates have successfully completed pre-clinical efficacy testing in non-human primates and our preventative HIV vaccine candidate has completed Phase 1 clinical testing trials in humans.

Our preventative vaccine candidate is currently in a Phase 2a human clinical trial, being conducted by the HIV Vaccine Trials Network (the HVTN) with funding from the NIH. We expect to complete this trial during 2011.

With regard to our therapeutic vaccine candidate, we recently initiated a Phase 1 human clinical trial and are recruiting patients. We expect the Phase 1 clinical trial to begin generating vaccine safety and performance data during 2011 with trial completion in the 2012-2013 timeframe.

In addition to our clinical development program for our vaccine candidates, we are conducting preclinical research on the impact of adding an adjuvant (immune system stimulant) to the DNA priming component of our vaccine to investigate whether they can improve the effectiveness of our vaccine candidates. This work is being funded by the NIH through an Integrated Preclinical/Clinical AIDS Vaccine Development Grant (an IPCAVD grant) to GeoVax. We are currently formulating plans to begin Phase 1 human clinical testing of this product during 2011, which may result in a second generation of our preventative HIV vaccine.

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Critical Accounting Policies and Estimates

This discussion and analysis of our financial condition and results of operations is based on our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosure of contingent assets and liabilities. On an ongoing basis, management evaluates its estimates and adjusts the estimates as necessary. We base our estimates on historical experience and on various other assumptions that are believed 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 materially from these estimates under different assumptions or conditions.

Our significant accounting policies are summarized in Note 2 to our consolidated financial statements included in our Form 10-K for the year ended December 31, 2009. We believe the following critical accounting policies affect our more significant judgments and estimates used in the preparation of our consolidated financial statements:

Impairment of Long-Lived Assets

Long-lived assets are reviewed 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.

Revenue Recognition

We recognize revenue in accordance with the SEC s Staff Accounting Bulletin No. 101, *Revenue Recognition in Financial Statements*, as amended by Staff Accounting Bulletin No. 104, *Revenue Recognition*, (SAB 104). SAB 104 provides guidance in applying U.S. generally accepted accounting principles to revenue recognition issues, and specifically addresses revenue recognition for upfront, nonrefundable fees received in connection with research collaboration agreements. Our revenue consists solely of grant funding received from the NIH. Revenue from this arrangement is approximately equal to the costs incurred and is recorded as income as the related costs are incurred.

Stock-Based Compensation

We account for stock-based transactions in which the Company receives services from employees, directors or others in exchange for equity instruments based on the fair value of the award at the grant date. Compensation cost for awards of common stock is estimated based on the price of the underlying common stock on the date of issuance. Compensation cost for stock options or warrants is estimated at the grant date based on each instrument s fair-value as calculated by the Black-Scholes option pricing model. We recognize stock-based compensation cost as expense ratably on a straight-line basis over the requisite service period for the award.

Liquidity and Capital Resources

At September 30, 2010, we had cash and cash equivalents of $1,426,342 and total assets of $2,992,798, as compared to $3,515,784 and $4,315,597, respectively, at December 31, 2009. Working capital totaled $1,289,966 at September 30, 2010, compared to $3,309,355 at December 31, 2009.

Sources and Uses of Cash

We are a development-stage company (as defined by ASC Topic 915, *Development Stage Entities*) and do not have any products approved for sale. 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 sources of cash are from sales of our equity securities and from government grant funding.

Cash Flows from Operating Activities

Net cash used in operating activities was $1,832,269 for the nine month period ended September 30, 2010, as compared to $1,251,755 for the comparable period in 2009. Generally, the differences between years are due to fluctuations in our net losses which, in turn, result primarily from fluctuations in expenditures from our research activities, offset or increased by net changes in our assets and liabilities. The increase from the 2009 period to the 2010 period is also due, in part, to higher legal and other costs associated with the Company s financing efforts during 2010, including costs associated with a special stockholders meeting to approve the reverse split of our common stock.

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The costs of conducting all of our human clinical trials to date, except for the therapeutic trial, have been borne by the HVTN, funded by the NIH, with GeoVax incurring costs associated with manufacturing the clinical vaccine supplies and other study support. The HVTN and NIH are bearing the cost of conducting our ongoing Phase 2a human clinical study, but we cannot predict the level of support we will receive from the HVTN and NIH for any additional clinical studies.

We are currently not receiving any governmental support for our Phase 1 therapeutic vaccine trial, but in July 2010 we applied for certification of our qualified expenditures during 2009 and 2010 (including expenditures for the Phase 1 trial) under the Qualifying Therapeutic Discovery Project (QTDP) program enacted as part of the Patient Protection and Affordable Care Act of 2010. The QTDP program was intended to provide incentive to smaller companies who are focusing on innovative therapeutic discoveries. QTDP grants or tax credits are awarded to companies with fewer than 250 employees for projects related to the treatment or prevention of diseases through the conduct of pre-clinical or clinical studies. Among the determining factors used by the U.S. Secretary of Health and Human Services in allocating funds were those projects that show potential to produce new therapies, address unmet medical needs, and reduce the long-term growth of healthcare costs. Also taken into consideration were the potential for projects to create and sustain high-quality, high-paying U.S. jobs and to advance U.S. competitiveness in the fields of life, biological and medical sciences. The QTDP program was highly oversubscribed, and in November 2010, we were notified that GeoVax has been awarded a grant of $244,500 related to our HIV/AIDS vaccine development activities, which is the maximum level allowable per project under the program.

Our operations are also partially funded by the IPCAVD grant awarded to us in September 2007 by the NIH to support our HIV/AIDS vaccine program. The project period for the grant, which is renewable annually, covers a five-year period which commenced in October 2007, with an expected annual award of generally between $3 and $4 million per year (approximately $19.4 million in the aggregate). The most recent annual award under the grant is for the period September 1, 2010 through August 31, 2011 in the amount of $4.9 million. We are utilizing this funding to further our HIV/AIDS vaccine development, optimization and production for human clinical trial testing, primarily with regard to our research into vaccine adjuvants. The funding we receive pursuant to this grant is recorded as revenue at the time the related expenditures are incurred, and thus partially offsets our net losses. As of September 30, 2010, there is approximately $5.2 million remaining from the current and prior grant years awards and (assuming that the remaining budgeted amounts under the grant are awarded annually to the Company) there is an additional $3.8 million available through the grant for the remainder of the original five year project period ending August 31, 2012. If the annual grant does not occur, we will experience a shortfall in anticipated cash flow and will be required to promptly seek other funds to address the shortfall.

We intend to pursue additional grants from the federal government. However, 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. Therefore, it will be necessary for us to look to other sources of funding in order to finance our development activities.

Cash Flows from Investing Activities

Our investing activities have consisted predominantly of capital expenditures. There were no capital expenditures during the nine month period ended September 30, 2010. Capital expenditures were $62,733 for the nine month period ended September 30, 2009.

Cash Flows from Financing Activities

Net cash used by financing activities was $257,173 for the nine month period ended September 30, 2010, as compared to net cash provided by financing activities of $2,540,000 for the comparable period in 2009. The cash used by financing activities during the 2010 period relates to costs associated with our planned stock offering (see discussion below). The cash generated from financing activities during the 2009 period includes $1,040,000 from the sale of our common stock to an investor pursuant to a stock purchase agreement that provided us the right to sell shares to the investor through July 31, 2010, and $1,500,000 from the exercise of a previously outstanding stock purchase warrant which was to expire in September 2009.

Our capital requirements, particularly as they relate to product research and development, have been and will continue to be significant. We anticipate incurring additional losses for several years as we expand our drug development and

clinical programs and proceed into higher cost human clinical trials. Conducting clinical trials for our vaccine candidates in development is a lengthy, time-consuming and expensive process. We will not generate revenues from the sale or license of our products for at least several years, if at all. For the foreseeable future, we will be dependent on obtaining financing from the government and other third parties in order to maintain our operations, including our clinical program. Due to uncertainty in the capital and credit markets, and adverse regional and national economic conditions which may persist or worsen, capital may not be available on terms acceptable to us, or at all. If we fail to obtain additional funding when needed, we will be forced to scale back or terminate our operations, or to seek to merge with or to be acquired by another company. If we are unable to successfully develop our products, our business, financial condition and results of operations will be adversely impacted.

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We have filed a registration statement on Form S-1 with the U.S. Securities and Exchange Commission (SEC) for a public offering of our common stock and warrants, with the intention of raising gross proceeds of between $5 million and $10 million for the Company. The primary purpose of the offering is to generate funds to support expanded clinical trials for our HIV/AIDS vaccine candidates. The specific number of units to be sold, the price range for the offering, and the closing date of the offering, if any, have not been determined. There can be no assurance that we will be able to successfully complete the offering, or that we will be able to sell all of the securities offered.

We expect that our current working capital, combined with the proceeds from the IPCAVD grant awarded from the NIH, will be sufficient to support our planned level of operations at least through the first quarter of 2011, with no changes to our business plan. As discussed above, we anticipate raising additional capital during the remainder of 2010, although there can be no assurance that we will be able to do so. We project that a successful offering with gross proceeds of $5.0 million or more will be sufficient to fund our planned operations for at least two years. While we believe that we will be successful in obtaining the necessary financing to fund our operations through government grants, the offering discussed above, and/or other sources, there can be no assurances that such additional funding will be available to us on reasonable terms or at all. Should the financing we require to sustain our working capital needs be unavailable or prohibitively expensive when we require it, the consequences could have a material adverse effect on our business, operating results, financial condition and prospects.

Off Balance Sheet Arrangements

We have no off-balance sheet arrangements that are likely or reasonably likely to have a material effect on our financial condition or results of operations.

Contractual Obligations

As of September 30, 2010, we had firm purchase obligations of approximately $501,000 as compared to less than $10,000 at December 31, 2009; the increase relates primarily to initiation of a vaccine manufacturing contract. We have no committed lines of credit and no other committed funding or long-term debt. We have employment agreements with our senior management team, each of which may be terminated with 30 days advance notice. There have been no other material changes to the table presented in our Annual Report on Form 10-K for the year ended December 31, 2009.

Results of Operations

Net Loss

We recorded a net loss of $644,666 for the three months ended September 30, 2010, as compared to a net loss of $230,815 for the three months ended September 30, 2009. For the nine months ended September 30, 2010, we recorded a net loss of $2,268,544, as compared to a net loss of $2,440,977 for the nine months ended September 30, 2009. Our net losses typically fluctuate due to the timing of activities and related costs associated with our vaccine research and development activities and our general and administrative costs, as described in more detail below.

Grant Revenue

During the three and nine month periods ended September 30, 2010 we recorded grant revenue of $1,163,288 and $4,239,017, respectively, as compared to $1,808,551 and $3,271,506, respectively, during the comparable periods of 2009. During 2007, we were awarded the IPCAVD grant by the NIH to support our HIV/AIDS vaccine program. The grant is subject to annual renewal, with the latest grant award covering the period from September 2010 through August 2011 in the amount of $4.9 million.

Research and Development

During the three month and nine month periods ended September 30, 2010, we incurred $908,780 and $4,019,931, respectively, of research and development expense as compared to $1,470,200 and $3,530,329, respectively, during the three month and nine month periods ended September 30, 2009. Research and development expenses can vary considerably on a period-to-period basis, depending on our need for vaccine manufacturing by third parties, and due to fluctuations in the timing of expenditures related to our IPCAVD grant from the NIH. Research and development expense for the three month and nine month periods of 2010 includes stock-based compensation expense of $51,344 and $154,235, respectively, while the comparable periods of 2009 include stock-based compensation expense of $85,439 and $256,316, respectively (see discussion under *Stock-Based Compensation Expense* below). Our research and development costs do not include costs incurred by HVTN in conducting trials of GeoVax vaccines.

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The overall increase in research and development expense during the nine month period ended September 30, 2010, as compared to the same periods in 2009, is due primarily to increased costs associated with activities funded by our IPCAVD grant, vaccine manufacturing costs, and costs associated with initiating a Phase 1 clinical trial for our therapeutic vaccine candidate. We expect that our research and development costs will continue to increase during the remainder of 2010 and beyond as we progress through the human clinical trial process leading up to possible product approval by the FDA.

Our vaccine candidates still require significant, time-consuming and costly research and development, testing and regulatory clearances. Completion of clinical development will take several years or more, but the length of time generally varies substantially according to the type, complexity, novelty and intended use of a product candidate. The cost of the ongoing Phase 2a clinical trial for our preventative vaccine is being funded by the HVTN, but we cannot be certain whether the HVTN or any other external source will provide funding for further development. We intend to seek government and/or third party support for future clinical human trials, but there can be no assurance that we will be successful. The duration and the cost of future clinical trials may vary significantly over the life of the project as a result of differences arising during development of the human clinical trial protocols, including, among others:

- the number of patients that ultimately participate in the clinical trial;
- the duration of patient follow-up that seems appropriate in view of the results;
- the number of clinical sites included in the clinical trials; and
- the length of time required to enroll suitable patient subjects.

Due to the uncertainty regarding the timing and regulatory approval of clinical trials and pre-clinical studies, our future expenditures are likely to be highly volatile in future periods depending on the outcomes of the trials and studies. From time to time, we will make determinations as to how much funding to direct to these programs in response to their scientific, clinical and regulatory success, anticipated market opportunity and the availability of capital to fund our programs.

In developing our product candidates, we are subject to a number of risks that are inherent in the development of products based on innovative technologies. For example, it is possible that our vaccines may be ineffective or toxic, or will otherwise fail to receive the necessary regulatory clearances, causing us to delay, extend or terminate our product development efforts. Any failure by us to obtain, or any delay in obtaining, regulatory approvals could cause our research and development expenditures to increase which, in turn, could have a material adverse effect on our results of operations and cash flows. Because of the uncertainties of clinical trials, estimating the completion dates or cost to complete our research and development programs is highly speculative and subjective. As a result of these factors, we are unable to accurately estimate the nature, timing and future costs necessary to complete the development of our product candidates. In addition, we are unable to reasonably estimate the period when material net cash inflows could commence from the sale, licensing or commercialization of such product candidates, if ever.

General and Administrative Expense

During the three month and nine month periods ended September 30, 2010, we incurred general and administrative costs of $903,850 and $2,508,539, respectively, as compared to $573,906 and $2,203,776, respectively, during the comparable periods in 2009. General and administrative costs include officers salaries, legal and accounting costs, patent costs, amortization expense associated with intangible assets, and other general corporate expenses. General and administrative expense for the three month and nine month periods of 2010 include stock-based compensation expense of $115,972 and $427,066, respectively; while the comparable periods of 2009 include stock-based compensation expense of $262,021 and $860,974, respectively (see discussion under *Stock-Based Compensation Expense* below). The overall increase in general and administrative costs during the 2010 periods as compared to the 2009 periods is due to higher legal and other costs associated with the Company s financing efforts during 2010, including costs associated with a special stockholders meeting to approve the reverse split of our common stock. We expect that our general and administrative costs will increase in the future in support of expanded research and development activities and other general corporate activities.

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Stock-Based Compensation Expense

We recorded stock-based compensation expense of $167,316 and $581,301 during the three month and nine month periods ended September 30, 2010, respectively, as compared to $347,460 and $1,117,290, respectively, during the comparable periods of 2009. In addition to amounts related to the issuance of stock options to employees, the figures include amounts related to common stock and stock purchase warrants issued to consultants. We allocate stock-based compensation expense to research and development expense or general and administrative expense according to the classification of cash compensation paid to the employee, consultant or director to whom the stock compensation was granted. For the three month and nine month periods ended September 30, 2010 and 2009, stock-based compensation expense was allocated as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
Expense Allocated to:	2010	2009	2010	2009
General and Administrative Expense	$ 115,972	$ 262,021	$ 427,066	$ 860,974
Research and Development Expense	51,344	85,439	154,235	256,316
Total Stock-Based Compensation Expense	$ 167,316	$ 347,460	$ 581,301	$ 1,117,290

Other Income

Interest income for the three month and nine month periods ended September 30, 2010 was $4,676 and $20,909, respectively, as compared to $4,740 and $21,622, respectively, for the three months and nine months ended September 30, 2009. The variances between periods are attributable to generally lower interest rates, and lower incremental cash balances available for investment during each respective period.

Item 3 Quantitative and Qualitative Disclosures About Market Risk

Our exposure to market risk is limited primarily to interest income sensitivity, which is affected by changes in the general level of United States interest rates, particularly because a significant portion of our investments are in short-term bank certificates of deposits and institutional money market funds. The primary objective of our investment activities is to preserve principal while at the same time maximizing the income received without significantly increasing risk. Due to the nature of our short-term investments, we believe that we are not subject to any material market risk exposure. We do not have any derivative financial instruments or foreign currency instruments.

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 and Accounting 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 Principal Executive Officer and our Principal Financial and Accounting Officer, of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Exchange Act Rules 13a-15 and 15d-15 as of the end of the period covered by this report. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of the period covered by this report, 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 Exchange Act 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, 2010 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

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Part II OTHER INFORMATION

Item 1 Legal Proceedings

None.

Item 1A Risk Factors

For information regarding factors that could affect the our results of operations, financial condition or liquidity, see the risk factors discussed under Risk Factors in Item 1A of our most recent Annual Report on Form 10-K. See also Forward-Looking Statements, included in Item 2 of this Quarterly Report on Form 10-Q. There have been no material changes from the risk factors previously disclosed in our most recent Annual Report on Form 10-K.

Item 2 Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3 Defaults Upon Senior Securities

None.

Item 4 (Removed and Reserved)

None.

Item 5 Other Information

During the period covered by this report, there was no information required to be disclosed by us in a Current Report on Form 8-K that was not so reported, nor were there any material changes to the procedures by which our security holders may recommend nominees to our board of directors.

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Item 6 Exhibits

Exhibit Number	Description
2.1	Agreement and Plan of Merger by and among GeoVax, Inc., GeoVax Acquisition Corp. and Dauphin Technology, Inc. dated January 20, 2006 (1)
2.2	First Amendment to Agreement and Plan of Merger by and among GeoVax, Inc., GeoVax Acquisition Corp. and Dauphin Technology, Inc. dated June 29, 2006 (2)
2.3	Second Amendment to Agreement and Plan of Merger by and among GeoVax, Inc., GeoVax Acquisition Corp. and Dauphin Technology, Inc. dated September 27, 2006 (3)
3.1	Certificate of Incorporation (4)
3.1.1	Certificate of Amendment to the Certificate of Incorporation of GeoVax Labs, Inc. filed April 13, 2010 (5)
3.1.2	Certificate of Amendment to the Certificate of Incorporation of GeoVax Labs, Inc. filed April 27, 2010 (6)
3.2	Bylaws (4)
31.1*	Certification pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934
31.2*	Certification pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934
32.1*	Certification pursuant to 18 U.S.C. Section 1350, as adopted by Section 906 of the Sarbanes-Oxley Act of 2002
32.2*	Certification pursuant to 18 U.S.C. Section 1350, as adopted by Section 906 of the Sarbanes-Oxley Act of 2002

* Filed herewith

(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 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 Current Report on Form 8-K filed with the Securities and Exchange Commission on June 23, 2008.

(5) Incorporated by reference to Exhibit 3.1 to the registrant s Current Report on Form 8-K filed April 14, 2010.

(6) Incorporated by reference to Exhibit 3.1 to the registrant s Current Report on Form 8-K filed April 28, 2010.

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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 8, 2010

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

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