GENEREX BIOTECHNOLOGY CORP
Form 10-Q
March 11, 2009

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

FORM 10-Q

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

For the quarterly period ended January 31, 2009

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

For the transition period from _____ to _____

COMMISSION FILE NUMBER: 0-25169

GENEREX BIOTECHNOLOGY CORPORATION
(Exact name of registrant as specified in its charter)

Delaware	98-0178636
(State of other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

33 HARBOUR SQUARE, SUITE 202
TORONTO, ONTARIO
CANADA M5J 2G2
(Address of principal executive offices)

416/364-2551
(Registrant's telephone number, including area code)

Not applicable
(Former name, former address and former fiscal year if changed since last report)

Indicate by check mark whether the registrant: (1) has filed all reports required 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. x Yes ¨ No

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

Large accelerated filer ¨ Accelerated filer x

Non-accelerated filer ¨ Smaller reporting company ¨

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

The number of outstanding shares of the registrant's common stock, par value $.001, was 135,534,178 as of March 9, 2009.

GENEREX BIOTECHNOLOGY CORPORATION

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

GENEREX BIOTECHNOLOGY CORPORATION AND SUBSIDIARIES
(A DEVELOPMENT STAGE COMPANY)
CONSOLIDATED BALANCE SHEETS

ASSETS	January 31, 2009 (Unaudited)	July 31, 2008
Current Assets:		
Cash and cash equivalents	$ 7,679,832	$ 17,237,510
Short-term investments	--	8,852,214
Accounts receivable	497,255	81,784
Inventory	1,187,516	1,465,222
Other current assets	1,193,510	380,927
Restricted cash	466,667	--
Deferred debt issuance costs	410,111	506,608
Total Current Assets	11,434,891	28,524,265
Deferred Debt Issuance Costs	--	211,086
Property and Equipment, Net	1,446,276	1,744,974
Assets Held for Investment, Net	3,033,770	3,713,317
Patents, Net	3,793,177	3,954,241
TOTAL ASSETS	$ 19,708,114	$ 38,147,883
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable and accrued expenses	$ 6,184,342	$ 7,469,710
Deferred revenue and rebate liability	145,419	125,598
Current maturities of long-term debt	1,345,161	1,832,684
Current maturities of obligations under capital lease	40,469	--
Convertible debentures, net of debt discount of $7,472,474 and $15,931,480 at January 31, 2009 and July 31, 2008, respectively	3,540,859	4,718,520
Total Current Liabilities	11,256,250	14,146,512
Obligations Under Capital Lease, Net	30,229	--
Long-Term Debt, Net	1,268,217	1,354,564
Commitments and Contingencies		
Stockholders' Equity:		
Special Voting Rights Preferred Stock, $.001 par value; authorized 1,000 shares at January 31, 2009 and July 31, 2008; -0- shares issued and outstanding at January 31, 2009 and July 31, 2008	--	--

Common stock, $.001 par value; authorized 500,000,000 shares at January 31, 2009 and July 31, 2008; 128,819,039 and 111,992,603 shares issued and outstanding at January 31, 2009 and July 31, 2008, respectively	128,819	111,992
Additional paid-in capital	278,483,819	269,849,581
Deficit accumulated during the development stage	(271,964,885)	(248,229,261)
Accumulated other comprehensive income	505,665	914,495
Total Stockholders' Equity	7,153,418	22,646,807
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 19,708,114	$ 38,147,883

The Notes to Consolidated Financial Statements are an integral part of these statements.

GENEREX BIOTECHNOLOGY CORPORATION AND SUBSIDIARIES
(A DEVELOPMENT STAGE COMPANY)
CONSOLIDATED STATEMENTS OF OPERATIONS

	For the Six Months Ended January 31,		For the Three Months Ended January 31,		Cumulative From November 2, 1995 (Date of Inception) to January 31,
	2009 (Unaudited)	2008 (Unaudited)	2009 (Unaudited)	2008 (Unaudited)	2009 (Unaudited)
Revenues, net	$ 972,982	$ 63,340	$ 434,636	$ 18,627	$ 3,472,367
Cost of Goods Sold	349,390	25,585	327,198	5,654	463,038
Operating Expenses:					
Research and development	7,596,130	7,317,427	3,240,441	3,469,624	97,411,624
Research and development - related party	--	--	--	--	220,218
Selling and marketing	1,446,905	651,918	609,707	284,498	3,758,500
General and administrative	4,912,435	6,602,793	2,064,522	3,086,873	110,548,901
General and administrative - related party	--	--	--	--	314,328
Total Operating Expenses	13,955,470	14,572,138	5,914,670	6,840,995	212,253,571
Operating Loss	(13,331,878)	(14,534,383)	(5,807,232)	(6,828,022)	(209,244,242)
Other Income (Expense):					
Miscellaneous income (expense)	3	--	(2)	--	196,261
Income from rental operations, net	167,739	170,411	79,359	88,324	1,419,200
Interest income	221,097	751,507	52,632	291,472	7,729,994
Interest expense	(10,792,585)	(116,622)	(6,363,197)	(58,948)	(58,675,158)
Loss on extinguishment of debt	--	--	--	--	(14,134,068)

Net Loss Before Undernoted	(23,735,624)	(13,729,087)	(12,038,440)	(6,507,174)	(272,708,013)
Minority Interest Share of Loss	--	--	--	--	3,038,185
Net Loss	(23,735,624)	(13,729,087)	(12,038,440)	(6,507,174)	(269,669,828)
Preferred Stock Dividend	--	--	--	--	2,295,057
Net Loss Available to Common Shareholders	$ (23,735,624)	$ (13,729,087)	$ (12,038,440)	$ (6,507,174)	$ (271,964,885)
Basic and Diluted Net Loss Per Common Share	$ (.20)	$ (.12)	$ (.10)	$ (.06)	
Weighted Average Number of Shares of Common Stock Outstanding	121,454,322	110,502,721	124,799,620	110,945,413	

The Notes to Consolidated Financial Statements are an integral part of these statements.

GENEREX BIOTECHNOLOGY CORPORATION AND SUBSIDIARIES
(A DEVELOPMENT STAGE COMPANY)
CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Six Months Ended January 31,		Cumulative From November 2, 1995 (Date of Inception) to January 31,
	2009 (Unaudited)	2008 (Unaudited)	2009 (Unaudited)
Cash Flows From Operating Activities:			
Net loss	$ (23,735,624)	$ (13,729,087)	$ (269,669,828)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization	413,793	599,644	7,380,658
Minority interest share of loss	--	--	(3,038,185)
Reduction of notes receivable - common stock in exchange for services rendered	--	--	423,882
Write-off of uncollectible notes receivable - common stock	--	--	391,103
Write-off of deferred offering costs	--	--	3,406,196
Write-off of abandoned patents	--	--	913,196
Loss on disposal of property and equipment	--	--	911
Loss on extinguishment of debt	--	--	14,134,069
Common stock issued as employee compensation	102,800	1,002,699	3,584,065
Issuance of options and option modifications as employee compensation	19,360	--	91,938
Common stock issued for services rendered	124,166	1,054,661	8,650,364
Amortization of prepaid services in conjunction with common stock issuance	--	--	138,375
Non-cash compensation expense	--	--	45,390
Stock options and warrants issued for services rendered	--	--	7,354,723
Issuance of warrants as additional exercise right inducement	--	--	21,437,909
Preferred stock issued for services rendered	--	--	100
Treasury stock redeemed for non-performance of services	--	--	(138,000)
Amortization of deferred debt issuance costs and loan origination fees	307,583	--	1,995,518
Amortization of discount on convertible debentures	8,459,007	--	30,873,118
Common stock issued as interest payment on convertible			

debentures	252,083	--	536,542
Interest on short-term advance	--	--	22,190
Founders' shares transferred for services rendered	--	--	353,506
Fees in connection with refinancing of debt	--	--	113,274
Warrant repricing costs	1,589,988	--	1,589,988
Changes in operating assets and liabilities (excluding the effects of acquisition):			
Accounts receivable	(428,276)	(51,281)	(515,657)
Miscellaneous receivables	--	--	43,812
Inventory	172,810	(247,815)	(1,290,631)
Other current assets	(824,627)	16,200	(899,653)
Accounts payable and accrued expenses	(1,204,834)	(922,649)	10,885,786
Deferred revenue	27,446	69,384	152,958
Other, net	--	--	110,317
Net Cash Used in Operating Activities	(14,724,325)	(12,208,244)	(160,922,066)
Cash Flows From Investing Activities:			
Purchase of property and equipment	(1,385)	(2,499)	(4,594,932)
Costs incurred for patents	(66,503)	(118,277)	(2,116,865)
Change in restricted cash	(466,667)	--	(420,795)
Proceeds from maturity of short term investments	8,852,214	11,829,420	195,242,918
Purchases of short-term investments	--	(18,000,651)	(195,242,918)
Cash received in conjunction with merger	--	--	82,232
Advances to Antigen Express, Inc.	--	--	(32,000)
Increase in officers' loans receivable	--	--	(1,126,157)
Change in deposits	--	30,795	(652,071)
Change in notes receivable - common stock	--	--	(91,103)
Change in due from related parties	--	--	(2,222,390)
Other, net	--	--	89,683
Net Cash Provided by (Used in) Investing Activities	8,317,659	(6,261,212)	(11,084,398)
Cash Flows From Financing Activities:			
Proceeds from short-term advance	--	--	325,179
Repayment of short-term advance	--	--	(347,369)
Proceeds from issuance of long-term debt	--	--	2,005,609
Repayment of long-term debt	(41,095)	(44,056)	(1,982,939)
Repayment of obligations under capital lease	(12,304)	--	(12,304)
Change in due to related parties	--	--	154,541
Proceeds from exercise of warrants	--	--	44,015,049
Proceeds from exercise of stock options	56,000	49,290	5,001,916
Proceeds from minority interest investment	--	--	3,038,185
Proceeds from issuance of preferred stock	--	--	12,015,000
Redemption of SVR preferred stock	--	--	(100)
Proceeds from issuance of convertible debentures, net	--	--	40,704,930
Payment of costs associated with convertible debentures	--	--	(722,750)

Repayments of convertible debentures	(3,130,000)	--	(3,765,757)
Purchase of treasury stock	--	--	(483,869)
Proceeds from issuance of common stock, net	--	--	80,283,719
Purchase and retirement of common stock	--	--	(497,522)
Net Cash Provided by Financing Activities	(3,127,399)	5,234	179,731,518
Effect of Exchange Rates on Cash	(23,613)	(41,858)	(45,222)
Net Increase (Decrease) in Cash and Cash Equivalents	(9,557,678)	(18,506,080)	7,679,832
Cash and Cash Equivalents, Beginning of Period	17,237,510	21,026,067	--
Cash and Cash Equivalents, End of Period	$ 7,679,832	$ 2,519,987	$ 7,679,832

The Notes to Consolidated Financial Statements are an integral part of these statements.

GENEREX BIOTECHNOLOGY CORPORATION AND SUBSIDIARIES
(A DEVELOPMENT STAGE COMPANY)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

1. Basis of Presentation

The accompanying unaudited interim consolidated financial statements have been prepared pursuant to the rules and regulations for reporting on Form 10-Q. Accordingly, certain information and disclosures required by generally accepted accounting principles for complete financial statements are not included herein. The interim statements should be read in conjunction with the financial statements and notes thereto included in the Company's latest Annual Report on Form 10-K. The results for the six and three months ended may not be indicative of the results for the entire year.

Interim statements are subject to possible adjustments in connection with the annual audit of the Company's accounts for the fiscal year 2009. In the Company's opinion, all adjustments necessary for a fair presentation of these interim statements have been included and are of a normal and recurring nature.

The Company is a development stage company, which has a limited history of operations. The Company's revenue includes $1 million received in conjunction with the execution of a development agreement, grant revenue from government agencies related to Antigen's operations, $550,000 in conjunction with the execution of a licensing agreements and revenue recognized from the sale of three of its four commercially available products. Additionally, the Company has several product candidates that are in various research or early stages of pre-clinical and clinical development. There can be no assurance that the Company will be successful in obtaining regulatory clearance for the sale of existing or any future products or that any of the Company's products will be commercially viable.

Going Concern

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 Company has experienced negative cash flows from operations since inception and had an accumulated deficit at January 31, 2009 of approximately $272 million. The Company has funded its activities to date almost exclusively from debt and equity financings.

The Company will continue to require substantial funds to continue research and development, including preclinical studies and clinical trials of its product candidates, and to commence sales and marketing efforts, if the FDA or other regulatory approvals are obtained. Management's plans in order to meet its operating cash flow requirements include financing activities such as private placements of its common stock, preferred stock offerings and issuances of debt and convertible debt instruments. Management is also actively pursuing industry collaboration activities including product licensing and specific project financing.

While the Company believes that it will be successful in obtaining the necessary financing to fund its operations, meet revenue projections and manage costs, there are no assurances that such additional funding will be achieved and that it will succeed in its future operations. 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.

GENEREX BIOTECHNOLOGY CORPORATION AND SUBSIDIARIES
(A DEVELOPMENT STAGE COMPANY)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

2. Effects of Recent Accounting Pronouncements

In September 2006, the FASB issued SFAS No. 157, ”Fair Value Measurements” (“SFAS 157”). SFAS 157 defines fair value, establishes a framework for measuring fair value in accordance with accounting principles generally accepted in the United States, and expands disclosures about fair value measurements. SFAS 157 was effective for financial statements issued for fiscal years beginning after November 15, 2007, with earlier application encouraged, but the issuance of FASB Staff Position SFAS No. 157-2 has delayed the effective date to fiscal years beginning after November 15, 2008 as it relates to non-financial assets and non-financial liabilities. Any amounts recognized upon adoption as a cumulative-effect adjustment will be recorded to the opening balance of retained earnings in the year of adoption. The adoption of SFAS 157 did not have a material effect on the Company’s financial condition or results of operations.

In February 2007, the FASB issued SFAS No. 159, “Establishing the Fair Value Option for Financial Assets and Liabilities” (“SFAS 159”) to permit all entities to choose to elect to measure eligible financial instruments and certain other items at fair value. The decision whether to elect the fair value option may occur for each eligible item either on a specified election date or according to a preexisting policy for specified types of eligible items. However, that decision must also take place on a date on which criteria under SFAS 159 occurs. Finally, the decision to elect the fair value option shall be made on an instrument-by-instrument basis, except in certain circumstances. An entity shall report unrealized gains and losses on items for which the fair value option has been elected in earnings at each subsequent reporting date. SFAS 159 applies to fiscal years beginning after November 15, 2007, with early adoption permitted for an entity that has also elected to apply the provisions of SFAS 157. The adoption of SFAS 159 did not have a material effect on the Company’s financial condition or results of operations.

In December 2007, the FASB issued SFAS No. 141(R), “Business Combinations” (“SFAS 141(R)”). This Statement replaces SFAS No. 141, “Business Combinations” (“SFAS 141”). This Statement retains the fundamental requirements in SFAS 141 that the acquisition method of accounting (which SFAS 141 called the purchase method) be used for all business combinations and for an acquirer to be identified for each business combination. This Statement also establishes principles and requirements for how the acquirer: a) recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any non-controlling interest in the acquiree; b) recognizes and measures the goodwill acquired in the business combination or a gain from a bargain purchase and c) determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. SFAS 141(R) will apply prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. An entity may not apply it before that date. The Company is currently evaluating the impact of this statement on its results of operations and financial position.

In December 2007, the FASB issued SFAS No. 160, “Non-controlling Interests in Consolidated Financial Statements” (“SFAS 160”). This Statement amends ARB 51 to establish accounting and reporting standards for the non-controlling (minority) interest in a subsidiary and for the deconsolidation of a subsidiary. It clarifies that a non-controlling interest in a subsidiary is an ownership interest in the consolidated entity that should be reported as equity in the consolidated financial statements. SFAS 160 is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008. Earlier adoption is prohibited. The Company is currently evaluating the impact of this statement on its results of operations and financial position.

GENEREX BIOTECHNOLOGY CORPORATION AND SUBSIDIARIES
(A DEVELOPMENT STAGE COMPANY)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

In March 2008, the FASB issued SFAS No. 161, “Disclosures about Derivative Instruments and Hedging Activities,” and Amendment of FASB Statement No. 133. SFAS 161 amends SFAS 133, “Accounting for Derivative Instruments and Hedging Activities,” to amend and expand the disclosure requirements of SFAS 133 to provide greater transparency about (i) how and why an entity uses derivative instruments, (ii) how derivative instruments and related hedge items are accounted for under SFAS 133 and its related interpretations, and (iii) how derivative instruments and related hedged items affect an entity’s financial position, results of operations and cash flows. To meet those objectives, SFAS 161 requires qualitative disclosures about objectives and strategies for using derivatives, quantitative disclosures about fair value amounts of gains and losses on derivative instruments and disclosures about credit-risk-related contingent features in derivative agreements. SFAS 161 is effective for fiscal years and interim periods beginning after November 15, 2008. Earlier adoption is encouraged. The Company does not expect SFAS 161 to have a material effect on its consolidated financial statements.

In May 2008, the FASB issued SFAS No. 162, "The Hierarchy of Generally Accepted Accounting Principles" ("SFAS 162"). SFAS 162 is intended to improve financial reporting by identifying a consistent framework, or hierarchy, for selecting accounting principles to be used in preparing financial statements that are presented in conformity with U.S. GAAP for nongovernmental entities. SFAS 162 became effective November 15, 2008. The Company does not expect SFAS 162 to have a material effect on its consolidated financial statements.

In May 2008, the FASB issued Staff Position (“FSP”) APB 14-1, “Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlements).” This FSP requires a portion of this type of convertible debt to be recorded as equity and to record interest expense on the debt portion at a rate that would have been charged on nonconvertible debt with the same terms. This FSP takes effect in the first quarter of fiscal years beginning after December 15, 2008 and will be applied retrospectively for all periods presented. It will be effective for the Company on August 1, 2009. This FSP will apply to the Company’s convertible debentures. The Company is currently evaluating how it may affect the consolidated financial statements.

In June 2008, the FASB issued FSP EITF 03-6-1, “Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities.” Securities participating in dividends with common stock according to a formula are participating securities. This FSP determined that unvested shares of restricted stock and stock units with nonforfeitable rights to dividends are participating securities. Participating securities require the “two-class” method to be used to calculate basic earnings per share. This method lowers basic earnings per common share. This FSP takes effect in the first quarter of fiscal years beginning after December 15, 2008 and will be applied retrospectively for all periods presented. It will be effective for the Company on August 1, 2009. The Company does not expect FSP EITF 03-6-1 to have a material effect on its consolidated financial statements.

GENEREX BIOTECHNOLOGY CORPORATION AND SUBSIDIARIES
(A DEVELOPMENT STAGE COMPANY)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

3. Stock-Based Compensation

As of January 31, 2009, the Company had three stockholder-approved stock incentive plans under which shares and options exercisable for shares of common stock have been or may be granted to employees, directors, consultants and advisors. A total of 2,000,000 shares of common stock are reserved for issuance under the 2000 Stock Option Plan (the 2000 Plan), a total of 12,000,000 shares of common stock are reserved for issuance under the 2001 Stock Option Plan (the 2001 Plan) and 10,000,000 shares of common stock are reserved for issuance under the 2006 Stock Plan (the 2006 Plan). Restricted shares can only be issued under the 2006 Plan. At January 31, 2009, there were 2,000,000, 3,678,490 and 7,837,000 shares of common stock reserved for future awards under the 2000 Plan, 2001 Plan and 2006 Plan, respectively.

The 2000, 2001 and 2006 Plans (the Plans) are administered by the Board of Directors (the Board). The Board is authorized to select from among eligible employees, directors, advisors and consultants those individuals to whom options are to be granted and to determine the number of shares to be subject to, and the terms and conditions of the options. The Board is also authorized to prescribe, amend and rescind terms relating to options granted under the Plans. Generally, the interpretation and construction of any provision of the Plans or any options granted hereunder is within the discretion of the Board.

The Plans provide that options may or may not be Incentive Stock Options (ISOs) within the meaning of Section 422 of the Internal Revenue Code. Only employees of the Company are eligible to receive ISOs, while employees and non-employee directors, advisors and consultants are eligible to receive options which are not ISOs, i.e. “Non-Qualified Options.” The options granted by the Board in connection with its adoption of the Plans were Non-Qualified Options. In addition, the 2006 Plan also provides for restricted stock grants.

The fair value of each option granted is estimated on the grant date using the Black-Scholes option pricing model which takes into account as of the grant date the exercise price and expected life of the option, the current price of the underlying stock and its expected volatility, expected dividends on the stock and the risk-free interest rate for the term of the option.

The fair value of each option award is estimated on the date of grant using the Black-Scholes option pricing model. In the case of restricted stock grants under the 2006 Plan, fair market value of the shares is the market price.

The following is a summary of the common stock options granted, forfeited or expired and exercised under the Plan for the six months ended January 31, 2009:

	Shares	Weighted Average Exercise Price Share	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Outstanding, August 1, 2008	6,246,638	$ 0.66		
Granted	--	$ --		
Forfeited or expired	(1,066,000)	$ 1.69		
Exercised	(100,000)	$ 0.56		
	5,080,638	$ 0.45	1.12	$ 770,426

Outstanding, January 31, 2009			
Exercisable, January 31, 2009	4,993,138	$	770,426
Grant Date Fair Value of Forfeited or Expired Options		$	1.29
Total Intrinsic Value of Options Exercised		$	15,111

GENEREX BIOTECHNOLOGY CORPORATION AND SUBSIDIARIES
(A DEVELOPMENT STAGE COMPANY)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

The following is a summary of the non-vested common stock options granted, vested and forfeited under the Plan:

	Options		Weighted Average Grant Date Fair Value
Outstanding, August 1, 2008	87,500	$	0.59
Granted	--	$	--
Vested	--	$	--
Forfeited	--	$	--
Outstanding, January 31, 2009	87,500	$	0.59

As of January 31, 2009, the Company had $25,813 of total unrecognized compensation cost related to non-vested share-based compensation arrangements granted under the Plan. That cost is expected to be recognized over a weighted-average period of 1 years.

In August 2007, the Company issued 550,000 shares of common stock under the 2006 Plan in the form of restricted stock awards to officers. The fair value of these shares was based on the quoted market price of the Company's common stock on the dates of the issuance is $830,500. These shares were issued as an incentive to retain key employees and officers. A portion of these shares vested immediately while the remaining portion will vest over two years from the date of the grant. The following table summarizes the Company's non-vested restricted stock activity for the six months ended January 31, 2009:

	Number of Shares		Weighted Average Grant Date Fair Value
Non-vested stock, August 1, 2008	103,906	$	1.51
Granted	--		--
Vested	(59,375)		1.51
Forfeited	--		--
Non-vested stock, January 31, 2009	44,531	$	1.51

As of January 31, 2009, $48,564 of total unrecognized compensation costs related to unvested shares is expected to be recognized over the remaining service period of 0.5 years.

4. Comprehensive Income/(Loss)

Comprehensive loss, which includes net loss and the change in the foreign currency translation account, for the six months ended January 31, 2009 and 2008 was $24,144,454 and $13,627,179, respectively, and for the three months ended January 31, 2009 and 2008 was $12,080,656 and $6,639,645, respectively.

GENEREX BIOTECHNOLOGY CORPORATION AND SUBSIDIARIES
(A DEVELOPMENT STAGE COMPANY)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

5. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consist of the following:

	January 31, 2009	July 31, 2008
Accounts Payable	$ 1,450,709	$ 2,613,789
Research and Development	1,877,013	2,048,101
Executive Compensation	2,493,716	2,469,026
Financial Services	362,904	338,794
Total	$ 6,184,342	$ 7,469,710

6. Secured Convertible Debentures

The Company is contractually obligated under various convertible promissory notes (“convertible debentures”) with accredited investors. The convertible debentures are convertible into shares of the Company's common stock at a price as stipulated in each debenture as amended.

The convertible debentures are accounted for in accordance with EITF 98-5 and 00-27. The following summarizes the significant terms and accounting for each convertible debenture entered into by the Company.

	Notes/Debenture
	$ 20,650,000
Date Issued	3/2008
Promissory Note Amount	$ (A)
# of Promissory Notes	6
Terms	(B)
Conversion Price	$ 1.21
Gross Proceeds	$ 20,650,000
Net Cash Proceeds	$ 20,450,000
Warrants (“Series”) Issued to Investors (C)	42,665,274
Warrant (“Series”) Exercise Price (C)	$ 0.50
Existing Warrants (“Pre-Extant”) Re-priced (D)	12,697,024
Re-priced Warrant (“Pre-Extant”) Exercise Price (D)	0.50
Warrant Fair Value (WFV) (includes value of re-priced warrants (“Pre-Extant”))	$ 21,976,130
Warrant Relative Fair Value (WRFV)	$ 10,646,218
Black-Scholes Model Assumptions	(E)
Beneficial Conversion Feature (BCF)	$ 8,768,946
Costs associated with issuance classified as deferred debt issuance costs	$ 722,750
Amortization of WFV and BCF as Non-cash Interest Expense	$ 11,942,691
Principal and Interest Converted	$ --
Shares Issued Upon Conversion	--

Principal and Interest Repayments in Shares of Common Stock	$	6,758,748
Shares Issued for Principal and Interest Repayments		16,311,994
Principal and Interest Repayments in Cash	$	4,004,030

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(A) $7,000,000; $5,000,000; $3,650,000; (2) $2,000,000; $1,000,000

(B) The debentures carry an 8% coupon and the initial maturity date was September 30, 2009, provided, however, the maturity date may be extended at the option of the holder. Initially, the debentures carried an 18-month term and amortized in 15 installments commencing in the fifth month of the term. The principal and interest payments are payable in cash or, at the Company's option, the lower of (i) the then applicable conversion price and (ii) the price which initially was computed as 90% of the arithmetic average of the VWAP of the common stock on each of the twenty (20) consecutive trading days immediately preceding the applicable installment date, subject to certain conditions. Each installment payment elected by the Company to be repaid in shares requires the Company to deliver the number of shares estimated to satisfy the installment payment 20 trading days preceding the installment due date. The difference in the value of these shares and the installment payment on the installment date is required to be delivered to the holders by issuing additional shares. In addition, each debenture lists certain “Events of Default”, which include, without limitation, any default in the payment of principal or interest in respect of the debentures as when they become due and payable, the Company’s failure to observe or perform any other covenant, agreement or warranty contained in the agreements relating to the debentures. Upon the occurrence of the “Event of Default”, the holder may require us to redeem all or any portion of the debentures upon written notice. Other conditions in the debentures impede the Company’s ability to make its monthly installment payments in shares of its common stock. Two of such conditions – the effectiveness of the registration statement for at least 30 days prior to installment notice and listing maintenance minimum bid price requirement of The NASDAQ Stock Market, were not met requiring the Company to procure waivers from the debenture holders in respect to these conditions.

(C) The warrants issued to the holders of the debentures are comprised of the following: Series A warrants 5,257,729; Series A-1 warrants 7,541,857; Series B warrants 17,066,108; Series C warrants 12,799,580. During the six months ended January 31, 2009, the Company revised the terms of these warrants to reduce the exercise price. Additionally, the expiration date of the Series A, A-1 and C warrants were extended.

a. The Series C warrants are issuable contingent upon exercise of Series B warrants. The relative fair value associated with the Series C warrants at the commitment date amounted to $1,234,836. At such time the contingency is met, the Company would include the relative fair value as a charge to interest expense. The Company has accounted for this contingency in accordance with EITF 98-5 and 00-27. At January 31, 2009, Series B warrants have not been exercised and therefore the contingency has not been met.

(D) The Company re-priced 12,697,024 existing warrants (“Pre-Extant”). The value associated with the “Pre-Extant” warrants amounted to $5,399,160 and was valued using the Black-Scholes pricing model. The value of the “Pre-Extant” warrants has been added to the value of the new warrants issued (see (B) above) and accounted for in accordance with EITF 98-5 and 00-27. During the six months ended January 31, 2009, the Company revised the terms of the “Pre-Extant” warrants to reduce the exercise price and extend the expiration date.

(E) Black-Scholes pricing model assumptions used in valuing the “Pre-Extant” warrants were: risk free interest (2.70 percent); expected volatility (.8611); life of 1 ½ years, 7 years and 7 ½ years.

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Event of Default

During the six months ended January 31, 2009, one of the Equity Conditions within the debentures was not satisfied in that the Company received notice from The NASDAQ Stock Market of the Company's failure to comply with the minimum bid price requirement of Marketplace Rule 4310(c)(4) (the "Listing Maintenance Equity Condition"), which constitutes a "Breach of Condition" under each of the debentures.

In addition, during the six months ended January 31, 2009 the Company was not in compliance with the Net Cash Balance Test, which constitutes an "Event of Default" under each of the debentures (the "Net Cash Balance Test Default").

The Company and each of the holders of the debentures entered into each of the separate agreements to address the defaults caused by non-compliance with the Listing Maintenance Equity Condition and the Net Cash Balance Test Default. Significant provisions of these agreements include the following:

- Each holder agreed to waive (a) the Event of Default under Section 4(a)(xv) of the debentures with respect to the Company's failure to meet Net Cash Balance Test in respect of any and all periods prior to December 22, 2008 (the "Effective Date"), and (b) compliance by the Company with the Net Cash Balance Test for the period commencing on the Effective Date and ending on January 30, 2009.

- The exercise price of each of the Series Warrants was reduced from $1.21 to $0.50.

- The exercise price of each of the Pre-Extant Warrants was reduced from $1.10 to $0.50.

- The Company shall have a one-time right to require each of the holders to exercise all of their then outstanding Series Warrants and Pre-Extant Warrants if the arithmetic average of the volume weighted average price of the Common Stock on the Principal Market for a twenty-one (21) consecutive Trading Day period is equal to or greater than $1.00. The Company agreed to issue each holder a seven-year warrant to acquire up to that number of shares of Common Stock that is equal to the number of shares of Common Stock acquired by such holder in connection with such holder's exercise of its Series Warrants and its Pre-Extant Warrants pursuant to the exercise of such call option by the Company, at an exercise price of $1.00 per share.

- The expiration date of each Series A Warrant and each Series A-1 Warrant was extended to March 31, 2016.

- The expiration date of each Series C Warrant was extended to September 30, 2016.

- The expiration date of each Pre-Extant Warrant was extended to March 31, 2016.

- The Company has agreed to honor the notices it delivered to each of the holders on December 1, 2008 in respect of the January 1, 2009 Installment Date pursuant to which the Company confirmed its intention to redeem 100% of the January 1, 2009 Installment Amounts pursuant to a Company Redemption, and the Company shall promptly pay the applicable Company Redemption Amount when due.

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As a result of the event of default, the Company evaluated the debt modification under the guidance of EITF 96-19 and EITF 06-6. Based on conclusions drawn during the evaluation, the Company recorded a non-cash charge to the statement of operations of approximately $1,590,000 which represents the incremental fair value resulting from the modification of the warrants utilizing the Black-Scholes pricing model.

As of January 31, 2009, the $3,540,859 net outstanding balance of convertible debentures is comprised of $11,013,333 of debt net of unamortized debt discount of $7,472,474. As of July 31, 2008, the $4,718,520 net outstanding balance of convertible debentures was comprised of $20,650,000 of debt net of unamortized debt discount of $15,931,480.

7. Pending Litigation

In February 2001, a former business associate of the former Vice President of Research and Development ("VP") of the Company and an entity known as Centrum Technologies Inc. ("CTI") commenced an action in the Ontario Superior Court of Justice against the Company and the VP seeking, among other things, damages for alleged breaches of contract and tortious acts related to a business relationship between this former associate and the VP that ceased in July 1996. The plaintiffs' statement of claim also seeks to enjoin the use, if any, by the Company of three patents allegedly owned by CTI. The three patents are entitled Liquid Formulations for Proteinic Pharmaceuticals, Vaccine Delivery System for Immunization, Using Biodegradable Polymer Microspheres, and Controlled Releases of Drugs or Hormones in Biodegradable Polymer Microspheres. It is the Company's position that the buccal drug delivery technologies which are the subject matter of the Company's research, development, and commercialization efforts, including Generex Oral-lyn™ and the RapidMist™ Diabetes Management System, do not make use of, are not derivative of, do not infringe upon, and are entirely different from the intellectual property identified in the plaintiffs' statement of claim. On July 20, 2001, the Company filed a preliminary motion to dismiss the action of CTI as a nonexistent entity or, alternatively, to stay such action on the grounds of want of authority of such entity to commence the action. The plaintiffs brought a cross motion to amend the statement of claim to substitute Centrum Biotechnologies, Inc. ("CBI") for CTI. CBI is a corporation of which 50 percent of the shares are owned by the former business associate and the remaining 50 percent are owned by the Company. Consequently, the shareholders of CBI are in a deadlock. The court granted the Company's motion to dismiss the action of CTI and denied the plaintiffs' cross motion without prejudice to the former business associate to seek leave to bring a derivative action in the name of or on behalf of CBI. The former business associate subsequently filed an application with the Ontario Superior Court of Justice for an order granting him leave to file an action in the name of and on behalf of CBI against the VP and the Company. The Company opposed the application. In September 2003, the Ontario Superior Court of Justice granted the request and issued an order giving the former business associate leave to file an action in the name of and on behalf of CBI against the VP and the Company. A statement of claim was served in July 2004. The Company is not able to predict the ultimate outcome of this legal proceeding at the present time or to estimate an amount or range of potential loss, if any, from this legal proceeding.

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The Company is involved in certain other legal proceedings in addition to those specifically described herein. Subject to the uncertainty inherent in all litigation, the Company does not believe at the present time that the resolution of any of these legal proceedings is likely to have a material adverse effect on the Company's financial position, operations or cash flows.

With respect to all litigation, as additional information concerning the estimates used by the Company becomes known, the Company reassesses its position both with respect to accrued liabilities and other potential exposures.

8. Net Loss Per Share

Basic earnings per shares (EPS) and Diluted EPS for the six and three months ended January 31, 2009 and 2008 have been computed by dividing the net loss available to common stockholders for each respective period by the weighted average shares outstanding during that period. All outstanding options, warrants, non-vested restricted stock and shares to be issued upon conversion of the outstanding convertible debentures, representing approximately 70,990,472 and 20,758,296 incremental shares, have been excluded from the January 31, 2009 and 2008 computations of Diluted EPS as they are anti-dilutive due to the losses generated.

9. Supplemental Disclosure of Cash Flow Information

	For the Six Months Ended January 31,	
	2009	2008
Cash paid during the period for:		
Interest	$ 976,706	$ 116,666
Income taxes	$ --	$ --
Disclosure of non-cash investing and financing activities:		
Issuance of common stock as satisfaction of accrued executive compensation	$ --	$ 471,875
Issuance of common stock as repayment of convertible debentures	$ 6,506,668	$ --
Purchase of property and equipment through the issuance of obligations under capital lease	$ 83,002	$ --

10. Stockholders' Equity

During the six months ended January 31, 2009, the Company issued 289,619 shares of common stock to various consultants for services rendered in the amount of $124,167. The shares were valued at $0.32 to $0.80 per share based on the quoted market price of the Company's common stock on the dates of the issuances.

During the six months ended January 31, 2009, the Company issued 124,823 shares of common stock valued at $50,501 as employee compensation. The shares were valued at $0.31 to $0.72 per share based on the quoted market price of the Company's common stock on the dates of the issuances.

During the six months ended January 31, 2009, the Company received aggregate cash proceeds of $56,000 from exercises of stock options. The Company issued 100,000 shares of common stock as a result of these transactions.

During the six months ended January 31, 2009, the Company issued 16,311,994 shares of common stock valued at $6,758,748 as repayment of convertible debentures and accrued interest (see Note 6). The shares were valued at $0.29 to $0.65 per share based on the quoted market price of the Company's common stock on the dates of the issuances.

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During the six months January 31, 2009, the Company modified the terms of outstanding warrants associated with convertible debentures and resulted in a charge to operations in the amount of $1,589,988 (see Note 6).

The stockholders' equity transactions as described above are summarized as follow:

	Common Stock		Additional Paid-In	Total Stockholders'
	Shares	Amount	Capital	Equity
Issuance of common stock for services	289,619	$ 290	$ 123,877	$ 124,167
Issuance of common stock as employee compensation	124,823	125	50,376	50,501
Stock-based executive compensation	--	--	71,658	71,658
Stocks options exercised for cash	100,000	100	55,900	56,000
Issuance of common stock as repayment of convertible debentures, accrued interest and prepayment	16,311,994	16,312	6,742,436	6,758,748
Warrant re-pricing costs	--	--	1,589,988	1,589,988
Total	16,826,436	$ 16,827	$ 8,634,235	$ 8,651,062

11. Subsequent Events

On February 27, 2009 ("Effective Date"), the Company and each of the holders of the Company's 8% convertible debentures entered into a separate Forbearance and Amendment Agreement (the "Forbearance Agreement") pursuant to which the holders agreed for a 21-day period ending March 20, 2009 (the "Standstill Period") to temporarily forbear from exercising certain rights and remedies under the convertible debentures. Significant provisions of these agreements include:

The Company acknowledged the existence of certain Events of Default, including, among others, the Company's failure to procure the Control Agreements required by the Company's December 22, 2008 agreements with the holders, to satisfy the Net Cash Balance Test under Section 13(f) of the debentures, and to deliver Event of Default Notices to each holder with respect to the foregoing Events of Default ("Existing Events of Default").

During the Standstill Period, each holder agreed not to exercise any of its rights or remedies solely with respect to any of the Existing Events of Default. Upon the expiration of the Standstill Period or upon the occurrence of any Event of Default occurring after the Effective Date (each such event a "Standstill Termination"), each holder will have the right to immediately exercise all of its rights and remedies under the debentures and the related Security Agreement.

Pursuant to the Forbearance Agreement, the Company and each holder agreed to amend the terms of each debenture as follows:

(a) The Maturity Date is accelerated from August 30, 2009 to July 1, 2009, subject to extension by the holder.

(b) The term "Installment Date" is amended to mean each of the following dates: (i) August 1, 2008, (ii) September 1, 2008, (iii) October 1, 2008, (iv) November 1, 2008, (v) December 1, 2008, (vi) January 1, 2009, (vii) February 1, 2009, (viii) March 1, 2009, (ix) April 1, 2009, (x) May 1, 2009, (xi) June 1, 2009 and (xii) the Maturity Date.

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(c) The term "Installment Amount" is amended to mean, with respect to any Installment Date occurring on or after March 1, 2009, the lesser of (A) the product of (i) $1,927,333.32, multiplied by (ii) Holder Pro Rata Amount and (B) the Principal amount under the debenture as of such Installment Date, together with any accrued and unpaid Interest as of such Installment Date and accrued and unpaid Late Charges, if any, as of such Installment Date.

(d) Section 4(a)(iii) of the debenture is amended to permit the Common Stock to be quoted on the OTC Bulletin Board if it is suspended from trading or delisted from the NASDAQ Capital Market.

(e) The monthly expenditure of cash by the Company together with its subsidiaries in excess of $900,000 in the aggregate in March, April or May 2009 will constitute an "Event of Default," provided that all cash used to effect Company Redemptions under the debentures as permitted thereunder will not be deemed to be cash expended solely for purposes of this determination.

(f) An "Event of Default" includes any breach by the Company of Section 8 of the Registration Rights Agreement (including, without limitation, any failure by the Company to (i) file with the SEC any required reports under Section 13 or 15(d) of the 1934 Act such that it is not in compliance with Rule 144(c)(1), or (ii) meet any of the requirements under rule 144(i)(2)).

(g) As of the Effective Date, the Company may only effect a Company Redemption with respect to the payment of an Installment Amount by using net proceeds received by the Company from any subsequent private placements, revenues from sales of products by the Company or licensing fees received by the Company.

(h) The Company must provide a monthly certification executed by the Company's Chief Financial Officer stating whether an Event of Default occurred with respect to the Company's and its subsidiaries' cash expenditures in excess of $900,000 in the calendar month immediately preceding the date of such certification, and the Company must publicly disclose any such Event of Default on the date of such certification.

The Company must enter into a Control Agreement with each holder and a financial institution to act as depositary with respect to a non-operating deposit account and deposit $3,000,000 into such account, which account and Control Agreement will be subject to the terms of the Security Agreement. .In addition, the Company must use commercially reasonable efforts to obtain, by the expiration of the Standstill Period, a clean, unconditional and irrevocable letter of credit that will remain "evergreen" until each debenture is repaid in full in the aggregate amount of $3,000,000 for the ratable benefit of each holder, which letter of credit will be subject to the terms of the Forbearance Agreement.

Prior to the expiration of the Standstill Period, the Company must issue and deliver irrevocable instructions to the Company's transfer agent to issue certificates to each holder for shares of the Common Stock, or credit shares to the holder's balance account at DTC, at the holder's written request to provide each holder's pro rata portion of Pre-Installment Conversion Shares for the payment of Installment Amounts under the debenture or upon the occurrence of an Event of Default after the Effective Date.

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With respect to the April 1, 2009 Installment Date, the following terms shall apply:

- March 9, 2009 will constitute the Installment Notice Due Date.

- The Pre-Installment Conversion Price will be equal to the price which shall be computed as 90% of the arithmetic average of the VWAP of the Common Stock on each of the 14 consecutive Trading Days immediately preceding March 9, 2009 (to be appropriately adjusted for any stock split, stock dividend, stock combination or other similar transaction during such measuring period).

- The Company Conversion Price will be equal to the price which shall be computed as 90% of the arithmetic average of the VWAP of the Common Stock on each of the 17 consecutive Trading Days immediately preceding such Installment Date (to be appropriately adjusted for any stock split, stock dividend, stock combination or other similar transaction during such measuring period).

- The Company will deliver the Pre-Installment Conversion Shares (which will be equal the number of shares of Common Stock equal to the quotient of (i) the Installment Amount due on such Installment Date divided by (ii) the Pre-Installment Conversion Price) to the holder no later than two Trading Days after March 9, 2009.

- The number of shares of Common Stock to be delivered pursuant to a Company Conversion on April 1, 2009 with respect to the Installment Amount due on that date will be reduced by the above-mentioned number of the Pre-Installment Conversion Shares previously delivered.

Each holder agreed to waive satisfaction of the following:

- the Listing Maintenance Equity Condition solely with respect to the Installment Dates of March 1, 2009, April 1, 2009, May 1, 2009, June 1, 2009 and the Maturity Date, if, (i) other Equity Conditions and all other conditions relating to a Company Conversion are satisfied and (ii) the shares of Common Stock continue to be listed or designated for quotation on, and trade on, the NASDAQ Capital Market, another national stock exchange or are quoted on the OTC Bulletin Board;

- the Net Cash Balance Test, but only until a Standstill Termination occurs; and

- all Existing Events of Default, the Net Cash Balance Test and accrual of Interest at the default Interest Rate, but only to the extent that the Company complies with all terms of the Forbearance Agreement and no other Event of Default occurs after the Effective Date.

The Company agreed to reimburse each holder for the transactions costs relating to the Forbearance Agreement and defaults that occurred before the Effective Date, which amounts were paid in the form of shares of Common Stock determined pursuant to the formula specified in the Forbearance Agreement.

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

As used herein, the terms the “Company,” “Generex,” “we,” “us,” or “our” refer to Generex Biotechnology Corporation, a Delaware corporation. The following discussion and analysis by management provides information with respect to our financial condition and results of operations for the three- and six-month periods ended January 31, 2009 and 2008. This discussion should be read in conjunction with the information contained in Part I, Item 1A - Risk Factors and Part II, Item 8 - Financial Statements and Supplementary Data in our Annual Report on Form 10-K, as amended, for the year ended July 31, 2008 and the information contained in Part I, Item 1 - Financial Statements and Part II, Item 1A- Risk Factors in this Quarterly Report on Form 10-Q for the fiscal quarter ended January 31, 2009.

Forward-Looking Statements

We have made statements in this Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations and elsewhere in this Quarterly Report on Form 10-Q of Generex Biotechnology Corporation for the fiscal quarter ended January 31, 2009 that may constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 (the "Act"). The Act limits our liability in any lawsuit based on forward-looking statements that we have made. All statements, other than statements of historical facts, included in this Quarterly Report that address activities, events or developments that we expect or anticipate will or may occur in the future, including such matters as our projections, future capital expenditures, business strategy, competitive strengths, goals, expansion, market and industry developments and the growth of our businesses and operations, are forward-looking statements. These statements can be identified by introductory words such as "expects," “anticipates,” "plans," "intends," "believes," "will," "estimates," "projects" or words of similar meaning, and by the fact that they do not relate strictly to historical or current facts. Our forward-looking statements address, among other things:

- our expectations concerning product candidates for our technologies;
- our expectations concerning existing or potential development and license agreements for third-party collaborations and joint ventures;
- our expectations of when different phases of clinical activity may commence and conclude;
- our expectations of when regulatory submissions may be filed or when regulatory approvals may be received; and
- our expectations of when commercial sales of our products may commence and when actual revenue from the product sales may be received.

Any or all of our forward-looking statements may turn out to be wrong. They may be affected by inaccurate assumptions that we might make or by known or unknown risks and uncertainties. Actual outcomes and results may differ materially from what is expressed or implied in our forward-looking statements. Among the factors that could affect future results are:

- the inherent uncertainties of product development based on our new and as yet not fully proven technologies;
- the risks and uncertainties regarding the actual effect on humans of seemingly safe and efficacious formulations and treatments when tested clinically;

- the inherent uncertainties associated with clinical trials of product candidates;

- the inherent uncertainties associated with the process of obtaining regulatory approval to market product candidates;

- the inherent uncertainties associated with commercialization of products that have received regulatory approval;

- the volatility of, and recent decline in, our stock price and the impact on our ability to pay installments due on our outstanding senior secured notes in stock rather than cash; and

- our ability to obtain the necessary financing to fund our operations.

Additional factors that could affect future results are set forth in Part I, Item 1A Risk Factors of our Annual Report on Form 10-K, as amended, for the year ended July 31, 2008 and in Part II, Item 1A. Risk Factors of this Quarterly Report on Form 10-Q. We caution investors that the forward-looking statements contained in this Quarterly Report must be interpreted and understood in light of conditions and circumstances that exist as of the date of this Quarterly Report. We expressly disclaim any obligation or undertaking to update or revise forward-looking statements to reflect any changes in management's expectations resulting from future events or changes in the conditions or circumstances upon which such expectations are based.

Executive Summary

Overview of Business

We are engaged primarily in the research, development and commercialization of drug delivery systems and technologies. Our primary focus at the present time is our proprietary technology for the administration of formulations of large molecule drugs to the oral (buccal) cavity using a hand-held aerosol applicator. Through our wholly-owned subsidiary, Antigen, we have expanded our focus to include immunomedicines incorporating proprietary vaccine formulations.

We believe that our buccal delivery technology is a platform technology that has application to many large molecule drugs and provides a convenient, non-invasive, accurate and cost-effective way to administer such drugs. We have identified several large molecule drugs as possible candidates for development, including estrogen, heparin, monoclonal antibodies, human growth hormone and fertility hormone, but to date have focused our development efforts primarily on one pharmaceutical product, Generex Oral-lyn™, an insulin formulation administered as a fine spray into the oral cavity using our proprietary hand-held aerosol spray applicator known as RapidMist™. To date, we have received regulatory approval in Ecuador and India for the commercial marketing and sale of Generex Oral-lyn™. In March 2008, we initiated Phase III clinical trials for this product in the U.S. with the first patient screening for such trials at a clinical study site in Texas. The patient screening at other participating clinical sites in the U.S. and Canada is ongoing. Currently over 314 patients have been enrolled in 74 clinical sites around the world, including sites in the United States, Canada, Bulgaria, Poland, Romania, Russia and Ukraine.

In November 2008 we, together with our marketing partner Shreya Life Sciences Pvt. Ltd. officially launched Generex Oral-lyn™ in India under marketing name of Oral Recosulin. Each package of Oral Recosulin contains two canisters of our product along with one actuator. Product was available for sale since January 2009 and over 50 dialectologists are currently prescribing Oral Recosulin in India.

In December 2008 we, together with our marketing partner Banta SA., received an approval to market Generex Oral-lyn™ in Lebanon. Benta is currently working on reimbursement policy for Generex Oral-lyn™. Official product launch is scheduled in June 2009.

We received a Special Access Program (SAP) authorization from Health Canada for a patient-specific, physician-supervised treatment of Type-1 diabetes with Generex Oral-lyn™ in April 2008. SAP provides access to

non-marketed drugs for practitioners treating patients with serious or life-threatening conditions when conventional therapies have failed, are not available or unsuitable. We received a similar authorization from health authorities in Netherlands in September 2008. We will continue to expand our SAP participation in additional countries around the world.

Using our buccal delivery technology, we also have launched a line of over-the-counter glucose and energy sprays , including Glucose RapidSpray™, GlucoBreak™, and BaBOOM!™ Energy Spray. We believe these products will complement Generex Oral-lyn™ and may provide us with an additional revenue stream prior to the commercialization of Generex Oral-lyn™ in other major jurisdictions.

In early November 2008, we submitted our product dossier to the Ministry of Health in Damascus, Syria through Generex MENA, our branch office in Dubai. The dossier includes Generex Oral-lyn™. We also submitted a file to register our proprietary over-the-counter products, including Glucose RapidSpray™, 7-Day Diet Aid Spray™ (marketed as Crave-Nx™ in the United States and Canada) and BaBOOM!™ Energy Spray. The Syrian Ministry of Health will review the dossier and inform us of any additional requests for information that it may have. There have been no immediate queries, and we anticipate registration before the end of calendar year 2009. It is estimated that among Syria's population of 20 million, between 3 million and 3.5 million people have diabetes.

In December 2008, we submitted Generex Oral-lyn™ dossier to the Ministry of Health in Iraq (North) through Generex MENA, our branch office in Dubai and expect to receive an approval to market the product in spring of 2009.

In October 2008, we announced the enrollment of subjects in our bioequivalence clinical trial of MetControl™, our proprietary Metformin medicinal chewing gum product. The protocol for the study is an open-label, two-treatment, two-period, randomized, crossover study comparing MetControl™ and immediate release Metformin™ tablets in healthy volunteers. The study results, that we received and analyzed in December 2008, will allow us to proceed with additional research and development initiatives and consider regulatory agency registration applications.

Our subsidiary, Antigen, concentrates on developing proprietary vaccine formulations that work by stimulating the immune system to either attack offending agents (i.e., cancer cells, bacteria, and viruses) or to stop attacking benign elements (i.e., self proteins and allergens). Our immunomedicine products are based on two platform technologies and are in the early stages of development. We continue clinical development of Antigen’s synthetic peptide vaccines designed to stimulate a potent and specific immune response against tumors expressing the HER-2/neu oncogene for patients with HER-2/neu positive breast cancer in a Phase II clinical trial and patients with prostate cancer and against avian influenza in two Phase I trials. Development efforts also are underway for seasonal influenza virus, HIV, HPV, melanoma, ovarian cancer, allergy and Type I diabetes mellitus. We have established collaborations with clinical investigators at academic centers to advance these technologies.

We face competition from other providers of alternate forms of insulin. Some of our most significant competitors, Pfizer, Eli Lilly, and Novo Nordisk, recently announced that they will discontinue development and/or sale of their inhalable forms of insulin. Generex Oral-lyn™ is not an inhaled insulin; rather, it is a buccally absorbed formulation with no residual pulmonary deposition. We believe that our buccal delivery technology offers several advantages over inhaled insulin, including the avoidance of pulmonary inhalation, which requires frequent physician monitoring, ease of use and portability.

We are a development stage company. From inception through the end of the year ended July 31, 2008, we have received only limited revenues from operations. In the fiscal year ended July 31, 2008, we received approximately $128,039 in revenues from sales of Glucose RapidSpray™. In the fiscal quarter ended January 31, 2009, we received approximately $435,078 in revenues from sales of Glucose RapidSpray™. These numbers do not reflect deferred sales to the customers during the respective period with the right of return.

We operate in only one segment: the research, development and commercialization of drug delivery systems and technologies for metabolic and immunological diseases.

We were incorporated in the State of Delaware in 1997. Our principal executive offices are located at 33 Harbour Square, Suite 202, Toronto, Canada, and our telephone number at that address is (416) 364-2551. We maintain an

Internet website at www.generex.com. We make available free of charge on or through our website our filings with the SEC.

Accounting for Research and Development Projects

Our major research and development projects are the refinement of our platform buccal delivery technology, our buccal insulin project (Generex Oral-lyn™), our buccal morphine product and Antigen's peptide immunotherapeutic vaccines.

During the last fiscal quarter, we expended resources on the clinical testing and commercialization, of our buccal insulin product, Generex Oral-lyn™. In July 2007, we received no objection from the FDA to proceed with our long-term multi-center Phase III study protocol for Generex Oral-lyn™. Late-stage trials involve testing our product with a large number of patients over a significant period of time. The completion of late-stage trials in Canada and eventually the United States may require significantly greater funds than we currently have on hand.

Generex Oral-lyn™ was approved for commercial sale by drug regulatory authorities in Ecuador in May 2005. PharmaBrand handled the commercial launch of Generex Oral-lyn™ in Ecuador in June 2006. While we anticipate generating revenue from sales of Generex Oral-lyn™ in Ecuador, we do not expect that such revenues will be sufficient to sustain our research and development and regulatory activities.

Generex Oral-lyn™ was approved for importation and commercial sale in India in November 2007. We have entered into a licensing and distribution agreement with Shreya Life Sciences Pvt. Ltd. and since January 2009 Generex Oral-lyn™ is available in India under marketing name of Oral Recosulin.

Although we initiated regulatory approval process for our morphine and fentanyl buccal products, we did not expend resources to further this product during our last fiscal year.

During the last fiscal quarter, we expended resources on research and development relating to Antigen's peptide immunotherapeutic vaccines and related technologies. One Antigen vaccine is currently in Phase II clinical trials in the United States involving patients with HER-2/neu positive breast cancer, and an Antigen vaccine for H5N1 avian influenza is in Phase I clinical trials conducted at the Lebanese-Canadian Hospital in Beirut. Antigen's prostate cancer vaccine based on AE37 is currently in Phase I clinical trials in Greece. Preliminary pre-clinical work has commenced with respect to the experimental vaccine for patients with acute myeloid leukemia at Beijing Daopei Hospital in China.

Because of various uncertainties, we cannot predict the timing of completion and commercialization of our buccal insulin in all jurisdictions or buccal morphine products or Antigen's peptide immunotherapeutic vaccines or related technologies. These uncertainties include the success of current studies, our ability to obtain the required financing and the time required to obtain regulatory approval even if our research and development efforts are completed and successful, our ability to enter into collaborative marketing and distribution agreements with third-parties, and the success of such marketing and distribution arrangements. For the same reasons, we cannot predict when any products may begin to produce net cash inflows.

Most of our buccal delivery research and development activities to date have involved developing our platform technology for use with insulin. Insubstantial amounts have been expended on projects with other drugs, including morphine and fentanyl, and those projects involved a substantial amount of platform technology development. As a result, we have not made significant distinctions in the accounting for research and development expenses among products, as a significant portion of all research has involved improvements to the platform technology in connection with insulin, which may benefit all of our potential buccal products. During the six months ended January 31, 2009, approximately 85% of our $7,596,130 in research expenses was attributable to insulin and platform technology development, and we did not have any research expenses related to morphine, fentanyl or other buccal projects. During the six months ended January 31, 2008, approximately 82% of our $7,317,427 in research expenses was attributable to insulin and platform technology development, and we did not have any research expenses related

to morphine, fentanyl or other buccal projects.

Approximately 15%, or $1,153,536, of our research and development expenses for the six months ended January 31, 2009 was related to Antigen's immunomedicine products compared to approximately 18%, or $1,310,155 of our research and development expenses for the six months ended January 31, 2008. Because these products are in initial phases of clinical trials or early pre-clinical stage of development (with the exception of the Phase II clinical trials of Antigen HER-2/neu positive breast cancer vaccine that are underway), all of the expenses were accounted for as basic research and no distinctions were made as to particular products. Due to the early stage of development, we cannot predict the timing of completion of any products arising from this technology, or when products from this technology might begin producing revenues.

Critical Accounting Policies

Our discussion and analysis of our financial condition and results of operations is based on our consolidated financial statements which have been prepared in conformity with accounting principles generally accepted in the United States of America. It requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

We consider certain accounting policies related to impairment of long-lived assets, intangible assets and accrued liabilities to be critical to our business operations and the understanding of our results of operations:

Going Concern. As shown in the accompanying financial statements, we have not been profitable and have reported recurring losses from operations. These factors raise substantial doubt about our ability to continue to operate in the normal course of business. The accompanying financial statements do not include any adjustments that might be necessary should we be unable to continue as a going concern.

Revenue Recognition. Net sales of Glucose RapidSpray™, BaBOOM!™ Energy Spray and GlucoBreak™ are generally recognized in the period in which the products are delivered. Delivery of the products generally completes the criteria for revenue recognition for the Company. In the event where the customers have the right of return, sales are deferred until the right of return lapses or the product is resold.

Inventory. Inventories are stated at the lower of cost or market with cost determined using the first-in first-out method. Management considers such factors as the amount of inventory on hand and in the distribution channel, estimated time to sell such inventory, inventories shelf life and current market conditions when determining whether the lower cost or market is used. As appropriate, a provision is recorded to reduce inventories to their net realizable value. Inventory also includes the cost of products sold to the customers with the rights of return.

Impairment of Long-Lived Assets. Management reviews for impairment whenever events or changes in circumstances indicate that the carrying amount of property and equipment may not be recoverable under the provisions of Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." If it is determined that an impairment loss has occurred based upon expected future cash flows, the loss is recognized in the Statement of Operations.

Intangible Assets. We have intangible assets related to patents. The determination of the related estimated useful lives and whether or not these assets are impaired involves significant judgments. In assessing the recoverability of these intangible assets, we use an estimate of undiscounted operating income and related cash flows over the remaining useful life, market conditions and other factors to determine the recoverability of the asset. If these estimates or their related assumptions change in the future, we may be required to record impairment charges against these assets.

Estimating accrued liabilities, specifically litigation accruals. Management's current estimated range of liabilities related to pending litigation is based on management's best estimate of future costs. While the final resolution of the

litigation could result in amounts different than current accruals, and therefore have an impact on our consolidated financial results in a future reporting period, management believes the ultimate outcome will not have a significant effect on our consolidated results of operations, financial position or cash flows.

Share-based compensation. Management determines value of stock-based compensation in accordance with Statement of Financial Accounting Standards No. 123(R) “Share-Based Payment” which revises SFAS No. 123 “Accounting for Stock-Based Compensation” for stock and options grants to employees. We also follow the guidance of Emerging Issues Task Force 96-18 “Accounting for Equity Instruments That Are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling, Goods or Services” for equity instruments issued to consultants.

Results of Operations
Three Months Ended January 31, 2009 Compared to Three Months Ended January 31, 2008

Our net loss for the quarter ended January 31, 2009 was $12,038,440 versus $6,507,174 in the corresponding quarter of the prior fiscal year. The increase in net loss in this fiscal quarter versus the corresponding quarter of the prior fiscal year is primarily due to the interest expense recorded in connection with our convertible debentures, repricing costs of warrants costs also issued in connection with our convertible debentures and an increase in selling expenses. The increase in net loss was partially offset by the decrease in our general and administrative expenses and research and development expenses. Our operating loss for the quarter ended January 31, 2009 decreased to $5,807,232 compared to $6,828,022 in the second fiscal quarter of 2008. The decrease in operating loss resulted from a decrease in general and administrative expenses (to $2,064,522 from $3,086,873) and a slight decrease in research and development expenses (to $3,240,441 from $3,469,624). The decrease was partially offset by the increase in selling expense (to $609,707 from $284,498). Our revenues in the second quarter ended January 31, 2009 increased to $434,636 from $18,627 for the quarter ended January 31, 2008 primarily due to one large order from the Middle East.

The small decrease in research and development expenses in the last fiscal quarter reflects timing differences of the overall increased levels of research and development of our oral insulin product and platform technology in connection with global Phase III clinical trials. The decrease in general and administrative expenses reflects the decrease in expenses for consulting and accounting services in the current fiscal quarter compared to last year, a modest reduction in travel and legal expenses, despite an increase in the expense for financial services. The selling expenses are associated with the commercial sales of our over-the-counter products that began in fiscal 2007.

Our interest expense in the second quarter of fiscal 2009 increased to $6,363,197 compared to interest expense of $58,948 in the second quarter of fiscal 2008 due to interest expense and costs of the repriced warrant recognized on the secured convertible notes issued in March 2008 in connection with a private placement. Our interest income decreased to $52,632 in the second quarter of fiscal 2009 compared to $291,472 in the same quarter for the last year primarily due to lower market interest rates and lower cash balances. We received a slightly lower income from rental operations (net of expense) of $79,359 in the second quarter of fiscal 2009 compared to $88,324 in the same quarter for the last year.

Results of Operations
Six Months Ended January 31, 2009 Compared to Six Months Ended January 31, 2008

Our net loss for the six months ended January 31, 2009 was $23,735,624 versus $13,729,087 in the corresponding six-month period of the prior fiscal year. The increase in net loss in this six-month period versus the corresponding six-month period of the prior fiscal year is primarily due to the increase in interest expense recorded in connection with our convertible debentures, costs of repricing warrants issued in connection with our convertible debentures, an increase in research and development expenses in connection with preparations for global Phase III clinical trials of Generex Oral-lyn™ at sites in the United States, Canada, and Europe, and an increase in selling expenses. Our operating loss for the six months ended January 31, 2009 decreased to $13,331,878 compared to $14,534,383 in the corresponding six-month period ended January 31, 2008. The decrease resulted from a decrease in general and administrative expenses (to $4,912,435 from $6,602,793) and an increase in net revenues to $972,982 in the six months ended January 31, 2009 from $63,340 in the six months ended January 31, 2008. The increase in net revenue is attributable to a licensing fee received from South Korea and large order of our over-the-counter drugs from the

Middle East. The decrease in operating loss was partially offset by increase in research and development expenses (to $7,596,130 from $7,317,427) and increases in and selling expenses (to $1,446,905 from $651,918).

The decrease in general and administrative expenses reflects the decrease in consulting, accounting, legal and travel expenses and a decrease in executive compensation and directors fees. The decrease was offset by the increase in the expenses for financial services. The increase in research and development expenses for the six-month period ended January 31, 2009 reflects an increased level of research and development of our oral insulin product and platform technology and additional clinical trials. The selling expenses are associated with the commercial sales of Glucose RapidSpray™ and other over-the-counter products that began in fiscal 2007.

Our interest expense in the six-month period ended January 31, 2009 increased to $10,792,585 compared to interest expense of $116,622 in the six-month period ended January 31, 2008 to interest expense and costs of the repriced warrant recognized on the secured convertible notes issued in March 2008 in connection with a private placement. Our interest income decreased to $221,097 in the six-month period ended January 31, 2009 compared to $751,507 in the six-month period ended January 31, 2008 primarily due to lower market interest rates and lower cash balances. We received a slightly lower income from rental operations (net of expense) of $167,739 in the six months ended January 31, 2009 compared to $170,411 in the six months ended January 31, 2008 that is due primary to exchange rate differences between the periods.

Financial Condition, Liquidity and Resources

Sources of Liquidity

To date we have financed our development stage activities primarily through private placements of our common stock and securities convertible into our common stock. In the past, we made significant short –term investments in high-grade auction rate securities all of which we liquidated as of December 2008. In March 2008, we issued secured convertible notes and related warrants for gross proceeds of approximately $20,650,000. Currently, we are in default with respect to certain conditions and covenants under the secured convertible notes and are in negotiations with the noteholders to modify the terms of the notes.

As of January 31, 2009, we believed that our anticipated cash position was sufficient to meet our working capital needs for the next twelve months based on the pace of our planned activities and assuming that we are able to reach an agreement with the noteholders to modify the terms of the secured convertible notes. Beyond that, we anticipate that we will require additional funds to support our working capital requirements or for other purposes.

While we have generally been able to raise equity capital as required, our cash balances were very low during portions of fiscal 2005 and have decreased in the first half of fiscal 2009. Unforeseen problems with our clinical program, manufacturing and commercialization plans in Ecuador and India or further negative developments in general economic conditions could interfere with our ability to raise additional equity capital as needed, or materially adversely affect the terms upon which such capital is available. Our inability to obtain required funding will have a material adverse effect on one or more of our research or development programs, curtail some of our commercialization efforts or prevent our satisfaction of obligations under the secured convertible notes.

Management may seek to meet all or some of our operating cash flow requirements through financing activities, such as private placement of our common stock, preferred stock offerings and offerings of debt and convertible debt instruments as well as through merger or acquisition opportunities. We filed a shelf registration statement with the Securities and Exchange Commission (“SEC”) to register an indeterminate number of shares of common stock and preferred stock and an indeterminate number of warrants and units, the aggregate initial offering price of which is not to exceed $150,000,000, but we have not offered any shares pursuant to this registration statement to date. Management is actively pursuing industry collaboration activities, including product licensing and specific project financing. We are also examining options for the procurement of a reliable long-term insulin supply for our future commercial needs.

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We believe that the commencement of Phase III clinical trial trials for Oral-lyn™ in the United States and Canada represents a significant milestone event. We also anticipate that the commercial launch of Oral-lyn™ in India, may provide us with revenue in fiscal 2009. We believe that the successful commercial launch of Oral-lyn™ in India would enhance our ability to access additional sources of funding. We will continue to require substantial funds to continue research and development, including preclinical studies and clinical trials of our product candidates, and to commence sales and marketing efforts if the FDA or other regulatory approvals are obtained.

Auction Rate Securities

In December 2008, we had short-term investments of approximately $8.1 million. All of our short-term investments represented investment in high-grade auction rate securities. As of December 23, 2008, 100% of our auction rate securities were redeemed at par in Phase II of the Citi Auction Security Settlement.

Financing – 8% Secured Convertible Notes and Warrants

On March 31, 2008, we entered into a Securities Purchase Agreement and related documents with existing institutional investors relating to a private placement of 8% secured convertible notes (the "Notes") and warrants (the "Series Warrants") for aggregate gross proceeds to us of $20,650,000.

The Notes have an 18-month maturity and amortize over fifteen months in fifteen equal monthly installments beginning on August 1, 2008. Interest on the principal amount outstanding under the Notes will accrue at a rate of eight percent (8%) per annum. We may pay installments of principal and accrued interest in cash or, at our option, in shares of our common stock subject to the satisfaction of certain conditions. If we elect to pay principal and interest in shares of our common stock, the value of each share of common stock will be equal to the lower of (a) the conversion price, and (b) 90% of the average of the volume weighted average prices of the common stock on each of the twenty (20) consecutive trading days immediately preceding the applicable payment date.

At the option of each Noteholder, the principal amount outstanding under each Note is convertible at any time into shares of our common stock at the initial conversion price of $1.21, which represents 110% of the closing bid price of our common stock on the NASDAQ Capital Market on the closing date, March 31, 2008.

We are prohibited from issuing any variable priced equity or variable priced equity-linked securities as long as any Note is outstanding. We also are prohibited from issuing any equity or equity-linked securities until 90 days after the effective date of a registration statement covering the resale of the shares of our common stock issuable pursuant to the Notes and Warrants, with limited exceptions. In addition, until the later of (i) 12 months after the effective date of such a registration statement and (ii) the date the Notes have been repaid or converted in full, the Noteholders will have the right to participate in any capital raising transactions that we undertake.

The Series Warrants issued in connection with the March 2008 Securities Purchase Agreement include:

(i) Series A and A-1 Warrants, which are exercisable for a period of 7 years into an aggregate of 75% of the number of shares of our common stock initially issuable upon conversion of the Notes, with the Series A Warrants being exercisable into 5,257,729 shares immediately upon issuance and the Series A-1 warrants being exercisable into 7,541,857 shares beginning October 1, 2008;

(ii) Series B Warrants, which are exercisable beginning October 1, 2008 into 100% of the shares of our common stock initially issuable upon conversion of the Notes (initially 17,066,166 shares) and remaining exercisable for a period of 18 months after a registration statement covering the shares of common stock issuable upon conversion or exercise of the Notes and Warrants is declared effective by the SEC; and

(iii) Series C Warrants, which are exercisable for a period of 7 years beginning October 1, 2008, but only to the extent that the Series B Warrant are exercised and only in the same percentage that the Series B Warrants are exercised, up to a maximum percentage of 75% of the number of shares of our common stock initially issuable upon conversion of the Notes (initially a maximum of 12,799,580 shares).

The initial exercise price of each Series Warrant was $1.21. As described below, the exercise price of the Series Warrants has been reduced to $0.50.

In connection with the issuance of the Notes and Series Warrants, we also (a) reduced the strike price of our outstanding common stock purchase warrants that are held by the investors in the March 2008 private placement and certain other warrant holders and that have strike prices ranging from $1.25 to $3.00 (the “Pre-Extant Warrants”), to $1.10, which equals the closing bid price of the common stock on the NASDAQ Capital Market on the closing date, March 31, 2008, and (b) extended the expiration date of the Pre-Extant Warrants to March 31, 2015. The holders of the Pre-Extant Warrants will waive all anti-dilution entitlements they have in respect of any of our previously issued securities with respect to the issuance or conversion of the Notes, the payment of the installments or interest in shares of the common stock, or the issuance or exercise of the Series Warrants.

Subsequent Agreements with Noteholders

As disclosed in our Quarterly Report on Form 10-Q for the quarter ended October 31, 2008, we entered into waiver and consent agreements with the Noteholders to allow us to convert some or all of the installment amounts due on the Notes on the August 1st, September 1st and October 1st installment dates into shares of our common stock, subject to certain conditions. We sought waivers from the Noteholders due to our failure to meet certain conditions precedent to the conversion of installment amounts under the Notes as of the August 1st installment notice date, including:

- the registration statement for the resale of all of the shares of common stock underlying the Notes and the Warrants was not effective at least thirty days prior to the installment notice date of August 1, 2008; and

- we failed to comply with the minimum bid price requirement of Marketplace Rule 4310(c)(4) of The NASDAQ Stock Market.

We subsequently obtained similar waivers from all Noteholders in respect to our November 1, 2008 installment amount. Based on the decline in our stock price, we paid the principal and interest amounts due on December 1, 2008 in cash.

In December 2008, we failed to comply with the covenant to maintain Net Cash Balance in excess of an amount equal to 75% of the aggregate principal amount outstanding under all of the Notes. Under the Notes, “Net Cash Balance” means, at any date, (i) an amount equal to the aggregate amount of cash, cash equivalents (but not including any restricted cash) and marketable securities, consisting of corporate bonds, commercial paper and medium-term notes, as shown or reflected in the notes to our consolidated balance sheet as at such date minus (ii) all indebtedness of the

company and our subsidiaries, including, trade payables but excluding, indebtedness under the Notes.

On December 22, 2008, we entered into separate agreements with each of the Noteholders to address the default caused by non-compliance with the Net Cash Balance covenant and our failure to comply with the minimum bid price requirement of Marketplace Rule 4310(c)(4) of The NASDAQ Stock Market, LLC. Pursuant to each agreements, we and each Noteholder agreed to the following:

- Each Noteholder agreed to waive (a) the event of default with respect to our failure to meet Net Cash Balance test in respect of any and all periods prior to December 22, 2008, and (b) compliance by us with the Net Cash Balance test for the period commencing on December 22, 2008 and ending on January 30, 2009.

- The exercise price of each of the Warrants was reduced from $1.21 to $0.50.

- The exercise price of each of the Pre-Extant Warrants was reduced from $1.10 to $0.50.

- We had a one time right to require each of the Noteholders to exercise all of their then outstanding Series Warrants and Pre-Extant Warrants if the arithmetic average of the volume weighted average price of our common stock on the principal trading market for a twenty-one (21) consecutive trading day period is equal to or greater than $1.00. We agreed to issue each Noteholder a seven-year warrant to acquire up to the number of shares of our common stock acquired by such Noteholder in connection with the Noteholder's exercise of its Series Warrants and its Pre-Extant Warrants pursuant to the exercise of our call option, at an exercise price of $1.00 per share.

- The expiration date of each Series A Warrant and each Series A-1 Warrant was extended to March 31, 2016.

- The expiration date of each Series C Warrant was extended to September 30, 2016.

- The expiration date of each Pre-Extant Warrant was extended to March 31, 2016.

- We agreed to honor the notices we delivered to each of the Noteholders on December 1, 2008 in respect of the January 1, 2009 installment date in which we confirmed our intention to redeem 100% of the January 1, 2009 installment amounts in cash pursuant to a "Company Redemption" under the Notes.

- We agreed to repay the Noteholders on January 12, 2009 an additional portion of the outstanding principal amount of the Notes equal to an aggregate of $1,376,666.66, which amount was converted in whole into shares of our common stock.

- Each Noteholder agreed to waive satisfaction of only the condition that our common stock remain listed on The NASDAQ Capital Market or other eligible market solely with respect to (a) our additional repayment due on January 12, 2009, and (b) the February 1, 2009 installment date. Therefore, we are entitled to deliver an installment notice in respect of the February 1st installment date confirming that the applicable installment amount due in respect of the February 1st installment date will be converted in whole into shares of our common stock if all other Equity Conditions (as defined in the Notes) are satisfied in accordance with the terms of the Notes.

- We also agreed to procure and deliver to the Noteholders an authenticated Control Agreement in respect of each deposit account of each grantor, and we agreed that such failure to procure the Control Agreements as required would be deemed a breach under the Notes which is not curable.

On February 27, 2009 (“Effective Date”), we and each of the Noteholders entered into a separate Forbearance and Amendment Agreement (the “Forbearance Agreement”) pursuant to which the Noteholders agreed for a 21-day period ending March 20, 2009 (the “Standstill Period”) to temporarily forbear from exercising certain rights and remedies under the Notes. A copy of the form of the Forbearance Agreement was filed as Exhibit 10.1 to our Current Report on Form 8-K filed with the SEC on March 2, 2009. Pursuant to the Forbearance Agreement, we and each Noteholder agreed as follows.

During the Standstill Period, each Noteholder agreed not to exercise any of its rights or remedies solely with respect to any of the existing Events of Default. Upon the expiration of the Standstill Period or upon the occurrence of any Event of Default occurring after the Effective Date (each such event a “Standstill Termination”), each Noteholder will have the right to immediately exercise all of its rights and remedies under the Notes and the related Security Agreement.

We agreed to amend the terms of each Note as follows:

(a) The Maturity Date is accelerated from August 30, 2009 to July 1, 2009, subject to extension by the Noteholder.

(b) The term “Installment Date” in the Note is amended to mean each of the following dates: (i) August 1, 2008, (ii) September 1, 2008, (iii) October 1, 2008, (iv) November 1, 2008, (v) December 1, 2008, (vi) January 1, 2009, (vii) February 1, 2009, (viii) March 1, 2009, (ix) April 1, 2009, (x) May 1, 2009, (xi) June 1, 2009 and (xii) the Maturity Date.

(c) The term “Installment Amount” is amended to mean, with respect to any Installment Date occurring on or after March 1, 2009, the lesser of (A) the product of (i) $1,927,333.32, multiplied by (ii) Holder Pro Rata Amount and (B) the Principal amount under the Note as of such Installment Date, together with any accrued and unpaid Interest as of such Installment Date and accrued and unpaid Late Charges, if any, as of such Installment Date.

(d) Section 4(a)(iii) of the Note is amended to permit our common stock to be quoted on the OTC Bulletin Board if it is suspended from trading or delisted from the NASDAQ Capital Market.

(e) The monthly expenditure of cash by Generex together with its subsidiaries in excess of $900,000 in the aggregate in March, April or May 2009 will constitute an “Event of Default,” provided that all cash used to effect Company Redemptions under the Notes as permitted thereunder will not be deemed to be cash expended solely for purposes of this determination.

(f) An “Event of Default” includes any breach by Generex of Section 8 of the Registration Rights Agreement (including, without limitation, any failure by Generex to (i) file with the SEC any required reports under Section 13 or 15(d) of the 1934 Act such that it is not in compliance with Rule 144(c)(1), or (ii) meet any of the requirements under rule 144(i)(2)).

(g) As of the Effective Date, we may only effect a Company Redemption with respect to the payment of an Installment Amount in cash by using net proceeds received by us from any subsequent private placements, revenues from sales of our products or licensing fees received by us.

(h) We must provide a monthly certification executed by our Chief Financial Officer stating whether an Event of Default occurred with respect to our cash expenditures in excess of $900,000 in the calendar month immediately preceding the date of such certification, and we must publicly disclose any such Event of Default on the date of such certification.

We must enter into a Control Agreement with each Noteholder and a financial institution to act as depositary with respect to a non-operating deposit account and deposit $3,000,000 into such account, which account and Control

Agreement will be subject to the terms of the Security Agreement. In addition, we must use commercially reasonable efforts to obtain, by the expiration of the Standstill Period, a clean, unconditional and irrevocable letter of credit that will remain "evergreen" until each Note is repaid in full in the aggregate amount of $3,000,000 for the ratable benefit of each Noteholder, which letter of credit will be subject to the terms of the Forbearance Agreement.

Prior to the expiration of the Standstill Period, we must issue and deliver irrevocable instructions to our transfer agent to issue certificates to each Noteholder for shares of our common stock, or credit shares to the Noteholder's balance account at DTC, at the Noteholder's written request to provide each Noteholder's pro rata portion of Pre-Installment Conversion Shares for the payment of Installment Amounts under the Note or upon the occurrence of an Event of Default after the Effective Date.

With respect to the April 1, 2009 Installment Date, the following terms shall apply:

- March 9, 2009 will constitute the Installment Notice Due Date.

- The Pre-Installment Conversion Price will be equal to the price which shall be computed as 90% of the arithmetic average of the VWAP of our common stock on each of the 14 consecutive trading days immediately preceding March 9, 2009 (to be appropriately adjusted for any stock split, stock dividend, stock combination or other similar transaction during such measuring period).

- The Company Conversion Price will be equal to the price which shall be computed as 90% of the arithmetic average of the VWAP of our common stock on each of the 17 consecutive trading days immediately preceding such Installment Date (to be appropriately adjusted for any stock split, stock dividend, stock combination or other similar transaction during such measuring period).

- We will deliver the Pre-Installment Conversion Shares (which will be equal the number of shares of common stock equal to the quotient of (i) the Installment Amount due on such Installment Date divided by (ii) the Pre-Installment Conversion Price) to the Noteholder no later than two trading days after March 9, 2009.

- The number of shares of common stock to be delivered pursuant to a Company Conversion on April 1, 2009 with respect to the Installment Amount due on that date will be reduced by the above-mentioned number of the Pre-Installment Conversion Shares previously delivered.

Each Noteholder agreed to waive satisfaction of the following:

- the Listing Maintenance Equity Condition solely with respect to the Installment Dates of March 1, 2009, April 1, 2009, May 1, 2009, June 1, 2009 and the Maturity Date, if, (i) other Equity Conditions and all other conditions relating to a Company Conversion are satisfied and (ii) the shares of our common stock continue to be listed or designated for quotation on, and trade on, the NASDAQ Capital Market, another national stock exchange or are quoted on the OTC Bulletin Board;

- the Net Cash Balance Test, but only until a Standstill Termination occurs; and

- all Existing Events of Default, the Net Cash Balance Test and accrual of Interest at the default Interest Rate, but only to the extent that we comply with all terms of the Forbearance Agreement and no other Event of Default occurs after the Effective Date.

Under the Forbearance Agreement, each Noteholder further agreed not to exercise its anti-dilution rights under the warrants issued in connection with the Securities Purchase Agreement and other warrants owned by the Noteholder as result of a subsequent private placement if we consummates a subsequent private placement on or before July 1, 2009 and the terms satisfy the following conditions:

- We issue only shares of our common stock;

- The purchase price for each share is equal or greater than $0.25;
- The aggregate gross proceeds to us are no more $5,000,000; and
- Rodman & Renshaw, LLC acts as the sole placement agent.

We agreed to reimburse each Noteholder for the transactions costs relating to the Forbearance Agreement and defaults that occurred before the Effective Date, which amounts were paid in the form of shares of our common stock determined pursuant to the formula specified in the Forbearance Agreement.

Payments on the Notes

As of January 31, 2009, we incurred interest expense of $4,724,199 related to the Notes that includes non cash accounting expense of $4,449,172 relating to debt discount and incurred $1,589,988 in costs in relation to warrant repricing.

As of March 9, 2009, we have issued 27,799,099 shares of common stock and paid $5,380,697 in cash to repay Note principal and accrued interest in the aggregate amount of $12,940,667.

We may receive additional proceeds from the exercise of Series Warrants, although the Series Warrants include a cashless exercise feature. As of October 1, 2008, all of the Series Warrants issued in March 2008 became exercisable. At January 31, 2009, outstanding Series Warrants issued in connection with the March 2008 Securities Purchase Agreement and the Pre-Extant Warrants described above were as follows:

Date Issued	Aggregate No. of Shares Unexercised	Exercise Price*	Expiration Date
March 31, 2008	17,066,117	$ 0.50	October 1, 2009
March 31, 2008	25,496,610	$ 0.50	March 31, 2016
March 31, 2008	12,799,580	$ 0.50	September 30, 2016

*Subject to anti-dilution adjustments upon issuance of securities at a price per share of common stock less than the then applicable exercise price or the market price of our common stock at that time, whichever is lower.

Current Default under Notes

Currently, we are in default under the Notes due to our non-compliance with the Net Cash Balance covenant. As of January 31, 2009, our Net Cash Balance was $(35,559), which was $8,295,559 less than the required reserve amount equal 75% of the aggregate principal amount outstanding under all of the Notes ($11,013,333).

In addition, our failure to procure Control Agreements as required under the December 22, 2008 agreements with the Noteholders constitutes a breach under the Notes which is not curable. Unless we enter into such Control Agreements and make the requisite deposit with respect thereto before the expiration of the Standstill Period as provided in the Forbearance Agreements, each Noteholder may upon written notice require us to redeem all or any portion of its Note at a default redemption price as calculated pursuant to certain formulas set forth in the Note. Until the default redemption price (together with any interest thereon) is paid in full, the amount of any Note submitted for redemption (together with any interest thereon) may be converted, in whole or in part, by the Noteholder into shares of our common stock. As of the date hereof, all requisite payments of principal and interest on the Notes have been paid.

In addition, except as provided under the Forbearance Agreements, without the consent of the Noteholders, we cannot issue shares of our common stock in payment of installment amounts due under the Notes because we are not in compliance with the minimum bid price requirement of Marketplace Rule 4310(c)(4) of The NASDAQ Stock Market, LLC.

Under the terms of the Notes, we cannot pay any Noteholder without offering equivalent treatment to the other Noteholders. At this time, we do not have the funds available to pay all Noteholders. Each of the Noteholders also has a security interest in all of our assets.

We are actively engaged in restructuring discussions with the Noteholders and will continue to seek waivers and forbearance from them. As of the date hereof, there is no outstanding redemption demand from any Noteholder. We continue to seek other sources of financing and other liquidity initiatives. There can be no assurance that our efforts will be successful or that the Noteholders will not pursue their rights and remedies under the Notes.

Because of the decrease in our stock price since the filing of the registration statement required under the Notes, we believe that the registration statement does not likely include a sufficient number of shares to allow us to make all of the remaining principal and interest payments in shares rather than in cash. We believe that we will be able to negotiate relief from the requirement that an additional registration statement be filed in the near future to comply with the condition precedent under the Notes because all of the shares we would issue in the absence of a registration statement would be eligible for resale by the Noteholders pursuant to Rule 144. (To the extent that the holders exercise the Series Warrants pursuant to the cashless exercise feature contained therein, the holders will have satisfied the holding period mandated by the SEC under Rule 144.) As of the filing of this Quarterly Report on Form 10-Q, however, we have not negotiated such arrangements except as provided in the Forbearance Agreements.

With respect to our noncompliance with Marketplace Rule 4310(c)(4), which requires us to have a minimum bid price per share of at least $1.00 for 30 consecutive business days, our initial cure period of 180 calendar days to regain compliance with the Rule has now been extended to July 27, 2009 pursuant to NASDAQ's temporary suspension of the enforcement of Marketplace Rule 4310(c)(4). If, at anytime prior to July 27, 2009, the bid price of our common stock closes at $1.00 per share or more for a minimum period of ten consecutive business days, we will regain compliance with the Rule. In addition, assuming that we meet the initial listing criteria, we may seek an additional 180 calendar day period to regain compliance after July 27, 2009. We believe that as our late-stage clinical trials of Generex Oral-lyn™ progress in the United States, Canada, Europe and certain countries in Eastern Europe, investor confidence in Generex will increase, which would have a positive effect on our stock price and enable us to meet the minimum bid price requirement under Marketplace Rule 4310(c)(4). To the extent that we do not achieve compliance with this rule on future installment notice dates, we will seek further waivers from the Noteholders with respect to this condition if required.

Cash Flows for the Six Months Ended January 31, 2009

For the six months ended January 31, 2009, we used $14,724,325 in cash to fund our operating activities. The use for operating activities included a net loss of $23,735,624, a $428,276 increase in accounts receivable, a decrease of $1,204,834 in accounts payable and accrued expenses, an increase of $824,627 in other current assets, offset by an increase of $27,446 in deferred revenue and a net decrease in inventory and inventory deposits of $172,810.

The use of cash was offset by non-cash increases of approximately $413,793 related to depreciation and amortization, $124,160 in stock-based compensation to employees, $124,166 in stock-based compensation for services to consultants, as well as $1,589,998 in warrant repricing costs, $307,583 in amortization of the loan origination fee and deferred debt issuance cost, $8,459,007 of amortization of debt discount and $252,083 in stock issued for interest related to the March 2008 convertible note transaction.

We had net cash flows provided by investing activities of $8,317,659 in the six months ended January 31, 2009, primarily representing the proceeds from maturity of short-term investments of $8,852,214. The proceeds were partially offset by $466,667 in changes to restricted cash, payments for property and equipment of $1,385 and cost incurred for patents of $66,503.

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We had net cash flows used in financing activities of $3,127,399 in the six months ended January 31, 2009. Proceeds from the exercise of stock options were $56,000. We made payments on our notes payable and long-term debt of $3,183,399.

Our net working capital at January 31, 2009 decreased from July 31, 2008 by $14,199,112 to $178,641, which was attributed largely to our net loss for the last six months.

Funding Requirements

In addition to meeting our obligations under the Notes, we expect to devote substantial resources to obtaining regulatory approval of Generex Oral-lyn™ in the U.S., Canada and Europe and to commercializing Generex Oral-lyn™ in India, Lebanon and Ecuador. We also will devote resources to obtaining approval for the importation, marketing and commercialization of Generex Oral-lyn™ in other countries where we have licensed distributors. In addition, we will expend resources on further clinical development of our immunotherapeutic vaccines. Our future funding requirements and our ability to raise additional capital will depend on factors that include:

- the timing and amount of expense incurred to complete our clinical trials;
- the costs and timing of the regulatory process as we seek approval of our products in development;
- the advancement of our products in development;
- our ability to generate new relationships with industry partners throughout the world that will provide us with regulatory assistance and long-term commercialization opportunities;
- the timing, receipt and amount of sales, if any, from Generex Oral-lyn™ in India, Lebanon and Ecuador;
- the timing, receipt and amount of sales, if any, from our over-the-counter products;
- the cost of manufacturing (paid to third parties) of our licensed products, and the cost of marketing and sales activities of those products;
- the costs of prosecuting, maintaining, and enforcing patent claims, if any claims are made;
- our ability to maintain existing collaborative relationships and establish new relationships as we advance our products in development; and
- the receptivity of the financial market to biopharmaceutical companies.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on the Company's financial condition, changes in financial condition, revenue or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors, and we do not have any non-consolidated special purpose entities.

Contractual Obligations

The following table of contractual obligations as of January 31, 2009 includes interest obligations.

		Payments Due by Period			
Contractual Obligations	Total	Less than 1 Year	1-3 years	3-5 years	More than 5 years
Long-Term Debt Obligations	2,892,139	1,467,272	1,224,891	51,058	148,918
Convertible Debt Obligations	11,348,628	11,348,628			
Capital Lease Obligations	79,532	47,720	31,812		
Operating Lease Obligations	378,081	129,635	197,105	51,341	
Purchase Obligations					
Other Long-Term Liabilities Reflected on the Registrant's Balance Sheet under GAAP					
Total	$ 14,698,380	$ 12,993,255	$ 1,453,808	$ 102,399	$ 148,918

Convertible debt obligations represent scheduled principal and interest payments on our 8% secured convertible notes. In the table above, we calculated remaining principal of $11,013,333 as payable in monthly installments, through September 2009. As discussed above under the heading Financial Condition, Liquidity and Resources - Current Default under Notes, the maturity date of the convertible notes is currently July 1, 2009. Principal may be paid, at our option, in cash or shares of our common stock, subject to the satisfaction of certain equity conditions delineated in the notes. Because the noteholders may convert principal into common stock, at any time, at their option, the timing of principal and interest payments may accelerate relative to this schedule.

Certain Relationships and Related Transactions

Related Transactions

Prior to January 1, 1999, a portion of our general and administrative expenses resulted from transactions with affiliated persons, and a number of capital transactions also involved affiliated persons. Although these transactions were not the result of "arms-length" negotiations, we do not believe that this fact had a material impact on our results of operations or financial position. Prior to December 31, 1998, we classified certain payments to executive officers for compensation and expense reimbursements as "Research and Development - related party" and "General and Administrative - related party" because the executive officers received such payments through personal services corporations rather than directly. After December 31, 1998, these payments have been and will continue to be accounted for as though the payments were made directly to the officers, and not as a related party transaction. With the exception of our arrangement with our management company described below, we do not foresee a need for, and therefore do not anticipate, any related party transactions in the current fiscal year.

On May 3, 2001, we advanced $334,300 to each of three senior officers, who are also our stockholders, in exchange for promissory notes. These notes bore interest at 8.5% per annum and were payable in full on May 1, 2002. These notes were guaranteed by a related company owned by these officers and secured by a pledge of 2,500,000 shares of our common stock owned by this related company. On June 3, 2002, our Board of Directors extended the maturity date of the loans to October 1, 2002. The other terms and conditions of the loans and guaranty remained unchanged and in full force and effect. As of July 31, 2002, the balance outstanding on these notes, including accrued interest, was $1,114,084. Pursuant to a decision made by the Compensation Committee as of August 30, 2002, these loans were satisfied through the application of 592,716 shares of pledged stock, at a value of $1.90 per share, which represented the lowest closing price during the sixty days prior to August 30, 2002.

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On December 9, 2005, our Board of Directors approved a one-time recompense payment in the aggregate amount of $1,000,000 for each of Ms. Gluskin, our Chairwoman, Chief Executive Officer and President, and Ms. Rose Perri, our Chief Operating Officer, Chief Financial Officer, Treasurer and Secretary, in recognition of the company's failure to remunerate each of Ms. Gluskin and Ms. Perri in each of the fiscal years ended July 31, 1998, 1999, 2000 and 2001 in a fair and reasonable manner commensurate with comparable industry standards and Ms. Gluskin's and Ms. Perri's duties, responsibilities and performance during such years. The payment of such amount to each of Ms. Gluskin and Ms. Perri will be made (a) in cash at such time or times and in such amounts as determined solely by Ms. Gluskin or Ms. Perri, as applicable, and/or (b) in shares of our common stock at such time or times as determined by Ms. Gluskin or Ms. Perri, as applicable, provided that the conversion price for any such shares shall be equal to the average closing price of our common stock on the NASDAQ Capital Market for the 20 successive trading days immediately preceding, but not including, December 9, 2005. The amounts were not paid as of January 31, 2009 with the exception of $415,828 that was used by Ms. Perri to repay Note Receivable, Due from Related Party. The amount was due from EBI, Inc., a shareholder of the Company that is controlled by the estate of the Company's former Chairman of the Board, Mark Perri. The note was not interest bearing, unsecured and did not have any fixed terms of repayment. The note was extended to EBI, Inc. in May 1997.

Real Estate Transactions: On August 7, 2002, we purchased real estate with an aggregate purchase price of approximately $1.6 million from an unaffiliated party. In connection with that transaction, Angara Enterprises, Inc., a licensed real estate broker that is an affiliate of Ms. Gluskin received a commission from the proceeds of the sale to the seller in the amount of 3% of the purchase price, or $45,714. We believe that this is less than the aggregate commission which would have been payable if a commission had been negotiated with an unaffiliated broker on an arm's length basis.

On December 9, 2005, our Board of Directors approved the grant to Ms. Perri of a right of first refusal in respect of any sale, transfer, assignment or other disposition of either or both real properties municipally known as 1740 Sismet Road, Mississauga, Ontario and 98 Stafford Drive, Brampton, Ontario (collectively, the "Properties"). We granted Ms. Perri this right in recognition of the fair market value transfer to us during the fiscal year ended July 31, 1998 by Ms. Perri (or parties related to her) of the Properties.

We utilize a management company to manage all of our real properties. The property management company is owned by Ms. Perri, Ms. Gluskin and the estate of Mark Perri, our former Chairman of the Board. In the fiscal quarter ended January 31, 2009 and 2008, we paid the management company approximately $11,415 and $13,141, respectively, in management fees. We believe that the amounts paid to the management company approximate the rates that would be charged by a non-affiliated property management company.

Legal Fees. David Wires, a former director, is a partner of the firm Wires Jolley LLP. Wires Jolley represents us in various matters. During fiscal 2008, we paid approximately $44,000 in fees to Wires Jolley. We continue to use Wires Jolley and expect to pay legal fees in similar amounts to the firm in fiscal 2009.

Private Placement of Notes and Warrants. One of the institutional investors in the March 2008 private placement of the Notes and Warrants was Cranshire Capital, L.P. Cranshire purchased Notes in the aggregate principal amount of $5,000,000 and received Series A Warrants initially exercisable for 1,273,058 shares of common stock, Series A-1 Warrants initially exercisable for 1,826,115 shares, Series B Warrants initially exercisable for 4,132,231 and Series C Warrants initially exercisable for 3,099,173. On February 11, 2009, Cranshire jointly filed an amendment to Schedule 13G with Downsview Capital, Inc. and Mitchell P. Kopin reporting beneficial ownership of more 9.99% of our outstanding shares of common stock.

New Accounting Pronouncements

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements" ("SFAS 157"). SFAS 157 defines fair value, establishes a framework for measuring fair value in accordance with accounting principles generally accepted in the United States, and expands disclosures about fair value measurements. SFAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, with earlier application encouraged. Any amounts recognized upon adoption as a cumulative effect adjustment will be recorded to the opening balance of retained earnings in the year of adoption. On November 15, 2007, the FASB granted a one year deferral for non-financial assets and liabilities to comply with SFAS No. 157, however, the effective date for financial assets remains intact. We are currently evaluating the impact of this statement on our results of operations or financial position.

In February 2007, the FASB issued SFAS No. 159, “Establishing the Fair Value Option for Financial Assets and Liabilities” (“SFAS 159”) to permit all entities to choose to elect to measure eligible financial instruments at fair value. The decision whether to elect the fair value option may occur for each eligible item either on a specified election date or according to a preexisting policy for specified types of eligible items. However, that decision must also take place on a date on which criteria under SFAS 159 occurs. Finally, the decision to elect the fair value option shall be made on an instrument-by-instrument basis, except in certain circumstances. An entity shall report unrealized gains and losses on items for which the fair value option has been elected in earnings at each subsequent reporting date. SFAS 159 applies to fiscal years beginning after November 15, 2007, with early adoption permitted for an entity that has also elected to apply the provisions of SFAS 157. We are currently evaluating the impact of this statement on our results of operations or financial position.

In December 2007, the FASB issued SFAS No. 141(R), “Business Combinations” (“SFAS 141(R)”). This Statement replaces SFAS No. 141, “Business Combinations” (“SFAS 141”). This Statement retains the fundamental requirements in SFAS 141 that the acquisition method of accounting (which SFAS 141 called the purchase method) be used for all business combinations and for an acquirer to be identified for each business combination. This Statement also establishes principles and requirements for how the acquirer: a) recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any non-controlling interest in the acquiree; b) recognizes and measures the goodwill acquired in the business combination or a gain from a bargain purchase and c) determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. SFAS 141(R) will apply prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. An entity may not apply it before that date. We are currently evaluating the impact of this statement on our results of operations or financial position.

In December 2007, the FASB issued SFAS No. 160, “Non-controlling Interests in Consolidated Financial Statements” (“SFAS 160”). This Statement amends ARB 51 to establish accounting and reporting standards for the non-controlling (minority) interest in a subsidiary and for the deconsolidation of a subsidiary. It clarifies that a non-controlling interest in a subsidiary is an ownership interest in the consolidated entity that should be reported as equity in the consolidated financial statements. SFAS 160 is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008. Earlier adoption is prohibited. We are currently evaluating the impact of this statement on our results of operations or financial position.

In March 2008, the FASB issued SFAS No. 161, “Disclosures about Derivative Instruments and Hedging Activities,” and Amendment of FASB Statement No. 133. SFAS 161 amends SFAS 133, “Accounting for Derivative Instruments and Hedging Activities,” to amend and expand the disclosure requirements of SFAS 133 to provide greater transparency about (i) how and why an entity uses derivative instruments, (ii) how derivative instruments and related hedge items are accounted for under SFAS 133 and its related interpretations, and (iii) how derivative instruments and related hedged items affect an entity’s financial position, results of operations and cash flows. To meet those objectives, SFAS 161 requires qualitative disclosures about objectives and strategies for using derivatives, quantitative disclosures about fair value amounts of gains and losses on derivative instruments and disclosures about credit-risk-related contingent features in derivative agreements. SFAS 161 is effective for fiscal years and interim periods beginning after November 15, 2008. Earlier adoption is encouraged. We are currently evaluating the impact of this statement on our results of operations or financial position.

In May 2008, the FASB issued SFAS No. 162, "The Hierarchy of Generally Accepted Accounting Principles" ("SFAS 162"). SFAS 162 is intended to improve financial reporting by identifying a consistent framework, or hierarchy, for selecting accounting principles to be used in preparing financial statements that are presented in conformity with U.S. GAAP for nongovernmental entities. SFAS 162 is effective 60 days following the Securities and Exchange Commission's approval of the Public Company Accounting Oversight Board auditing amendments to AU Section 411, "The Meaning of Present Fairly in Conformity with Generally Accepted Accounting Principles." We do not expect

SFAS 162 to have a material effect on our consolidated financial statements.

The FASB issued Staff Position ("FSP") EITF 03-6-1, "Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities," in June 2008. Securities participating in dividends with common stock according to a formula are participating securities. This FSP determined unvested shares of restricted stock and stock units with nonforfeitable rights to dividends are participating securities. Participating securities require the "two-class" method to be used to calculate basic earnings per share. This method lowers basic earnings per common share. This FSP takes effect in the first quarter of fiscal years beginning after December 15, 2008 and will be applied retrospectively for all periods presented and will be effective for Generex on August 1, 2009. We do not expect FSP EITF 03-6-1 to have a material effect on our consolidated financial statements.

The FASB issued FSP APB 14-1, "Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlements)," in May 2008. This FSP requires a portion of this type of convertible debt to be recorded as equity and to record interest expense on the debt portion at a rate that would have been charged on nonconvertible debt with the same terms. This FSP takes effect in the first quarter of fiscal years beginning after December 15, 2008 and will be applied retrospectively for all periods presented. It will be effective for the Generex on August 1, 2009. This FSP will apply to our convertible debentures. We are currently evaluating how it may affect our consolidated financial statements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

We are exposed to market risks associated with changes in the exchange rates between U.S. and Canadian currencies and with changes in the interest rates related to our fixed rate debt. We do not believe that any of these risks will have a material impact on our financial condition, results of operations and cash flows.

In December 2008, we had short-term investments of approximately $8.1 million. All of our short-term investments represented investment in high-grade auction rate securities. As of December 23, 2008, 100% of our auction rate securities were redeemed at par in Phase II of the Citi Auction Security Settlement.

At the present time, we maintain our cash in short-term government or government guaranteed instruments, short-term commercial paper, and interest bearing bank deposits or demand bank deposits which do not earn interest. A substantial majority of these instruments and deposits are denominated in U.S. dollars, with the exception of funds denominated in Canadian dollars on deposit in Canadian banks to meet short-term operating needs in Canada. At the present time, with the exception of professional fees and costs associated with the conduct of clinical trials in the United States and Europe, substantially all of our operating expense obligations are denominated in Canadian dollars. We do not presently employ any hedging or similar strategy intended to mitigate against losses that could be incurred as a result of fluctuations in the exchange rates between U.S. and Canadian currencies.

As of January 31, 2009, we had fixed rate debt totaling $2,613,378. This amount consists of the following:

Loan Amount	Interest Rate per Annum
591,609	6.82%
554,336	7.60%
325,160	8.50%
170,026	10%
972,247	6.07%
2,613,378	Total

These debt instruments mature from March 2009 through October 2013. As our fixed rate debt instruments mature, we will likely refinance such debt at the existing market interest rates which may be more or less than interest rates on the maturing debt. Since this debt is fixed rate debt, if interest rates were to increase 100 basis points prior to maturity, there would be no impact on earnings or cash flows.

We have neither issued nor own any long-term debt instruments, or any other financial instruments, for trading purposes and as to which we would be subject to material market risks.

Item 4. Controls and Procedures.

Evaluation of disclosure controls and procedures

Prior to the filing of this Quarterly Report on Form 10-Q, an evaluation was performed under the supervision of and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures. Based on the evaluation our Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of the period covered by this Quarterly Report of Form 10-Q, the Company's disclosure controls and procedures were effective to ensure that information required to be disclosed by the Company in reports that it files or submits under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC and is accumulated and communicated to the Company's management, as appropriate, to allow timely decisions regarding required disclosures.

Changes in internal control over financial reporting

There was no change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15(d)-15(f) under the Exchange Act) during the period covered by this Quarterly Report on Form 10-Q 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.

In addition to the other information included in this Quarterly Report on Form 10-Q, you should carefully review and consider the factors discussed in Part I, Item 1A - Risk Factors of our Annual Report on Form 10-K, as amended, for the year ended July 31, 2008, certain of which have been updated below. These factors materially affect our business, financial condition or future results of operations. The risks, uncertainties and other factors described in our Annual Report on Form 10-K and below are not the only ones facing our company. Additional risks, uncertainties and other factors not presently known to us or that we currently deem immaterial may also impair our business operations, financial condition or operating results. Any of the risks, uncertainties and other factors could cause the trading price of our common stock to decline substantially.

Risks Related to Our Financial Condition

We have a history of losses and will incur additional losses.

We are a development stage company with a limited history of operations, and do not expect sufficient revenues to support our operation in the immediately foreseeable future. In the six months ended January 31, 2009, we received modest revenues from sales of Glucose RapidSpray™ . We did not recognize any revenue from the sale of our oral insulin product in Ecuador or India in fiscal 2008. We do not expect to receive any revenues in Ecuador until we enter into a definitive manufacturing and distribution agreement with our business partner there. While we have entered into a licensing and distribution agreement with a leading Indian-based pharmaceutical company and insulin distributor, we do not anticipate significant revenue from the initial commercial launch of Generex Oral-lyn™ in India sometime this fiscal year.

To date, we have not been profitable and our accumulated net loss available to shareholders was $271,964,885 at January 31, 2009. Our losses have resulted principally from costs incurred in research and development, including clinical trials, and from general and administrative costs associated with our operations. While we seek to attain profitability, we cannot be sure that we will ever achieve product and other revenue sufficient for us to attain this objective.

With the exception of Generex Oral-lyn™ which is currently available for sale in Ecuador and has been approved for sale in India and our over-the-counter glucose and energy spray products, Glucose RapidSpray™, BaBOOM!™ Energy Spray and GlucoBreak™, our product candidates are in research or early stages of pre-clinical and clinical development. We will need to conduct substantial additional research, development and clinical trials. We will also need to receive necessary regulatory clearances both in the United States and foreign countries and obtain meaningful patent protection for and establish freedom to commercialize each of our product candidates. We must also complete further clinical trials and seek regulatory approvals for Generex Oral-lyn™ in countries outside of Ecuador and India. We cannot be sure that we will obtain required regulatory approvals, or successfully research, develop, commercialize, manufacture and market any other product candidates. We expect that these activities, together with future general and administrative activities, will result in significant expenses for the foreseeable future.

We will need additional capital.

To progress in product development or marketing, we will need additional capital which may not be available to us. This may delay our progress in product development or market.

We will require funds in excess of our existing cash resources:

- to proceed with the development of our buccal insulin product;
- to finance the research and development of new products based on our buccal delivery and immunomedicine technologies, including clinical testing relating to new products;
- to finance the research and development activities of our subsidiary Antigen with respect to other potential technologies;
- to commercially launch and market developed products;
- to develop or acquire other technologies or other lines of business;
- to establish and expand our manufacturing capabilities;
- to finance general and administrative activities that are not related to specific products under development;
- to meet our obligations under the 8% secured convertible notes; and
- to otherwise carry on business.

In the past, we have funded most of our development and other costs through equity financing. We anticipate that our existing capital resources will enable us to maintain currently planned operations through the next twelve months. However, this expectation is based on our current operating plan, which could change as a result of many factors, including a further decline in the price of our stock, and we may need additional funding sooner than anticipated.

Because our operating and capital resources are insufficient to meet future requirements, we will have to raise additional funds in the near future to continue the development and commercialization of our products. Unforeseen problems, including materially negative developments in our clinical trials or in general economic conditions, could interfere with our ability to raise additional equity capital or materially adversely affect the terms upon which such funding is available.

It is possible that we will be unable to obtain additional funding as and when we need it. If we were unable to obtain additional funding as and when needed, we could be forced to delay the progress of certain development efforts. Such a scenario poses risks. For example, our ability to bring a product to market and obtain revenues could be delayed, our competitors could develop products ahead of us, and/or we could be forced to relinquish rights to technologies, products or potential products.

Risks Related to the Market for Our Common Stock

Our common stock could be delisted from The NASDAQ Capital Market.

On July 23, 2008, we received notice from The NASDAQ Stock Market that we were not compliance with Marketplace Rule 4310(c)(4), which requires us to have a minimum bid price per share of at least $1.00 for thirty (30) consecutive business days. In accordance with Marketplace Rule 4310(c)(8)(D), we had 180 calendar days, or until January 20, 2009, subject to extension, to regain compliance with this Rule.

On October 16, 2008, NASDAQ temporarily suspended enforcement of the minimum bid price requirement until January 19, 2009. On December 16, 2008, NASDAQ extended the temporary suspension of enforcement of this requirement until April 20, 2009. With the suspension, we now have until July 27, 2009 to comply with the minimum bid price requirement. Therefore, if, at anytime prior to July 27, 2009, the bid price of our common stock closes at $1.00 per share or more for a minimum period of ten (10) consecutive business days, we will regain compliance with the Rule.

In the event that we cannot demonstrate compliance with NASDAQ Rule 4310(c)(4) by the specified deadline and are not eligible for an additional compliance period, the staff will notify us that our stock would be delisted, at which time we can appeal the staff's determination to a Listing Qualifications Panel. Pending the decision of the Listing Qualification Panel, our common stock will continue to trade on the NASDAQ Capital Market. If we are not successful in such an appeal, our stock would likely trade on NASDAQ's over-the-counter bulletin board, assuming we meet the requisite criteria.

The price of our common stock may be volatile.

There may be wide fluctuations in the price of our common stock. These fluctuations may be caused by several factors including:

- announcements of research activities and technology innovations or new products by us or our competitors;
- changes in market valuation of companies in our industry generally;
- variations in operating results;
- changes in governmental regulations;
- developments in patent and other proprietary rights;
- public concern as to the safety of drugs or treatments developed by us or others;

- results of clinical trials of our products or our competitors' products; and
- regulatory action or inaction on our products or our competitors' products.

From time to time, we may hire companies to assist us in pursuing investor relations strategies to generate increased volumes of investment in our common stock. Such activities may result, among other things, in causing the price of our common stock to increase on a short-term basis.

Furthermore, the stock market generally and the market for stocks of companies with lower market capitalizations and small biopharmaceutical companies, like us, have from time to time experienced, and likely will again experience significant price and volume fluctuations that are unrelated to the operating performance of a particular company. During the third calendar quarter of 2008 and continuing to date, we, like many other publicly traded companies, have experienced a sharp decline in the price of our stock attributable to concerns about the current global recession. The widespread decline in stock prices led The NASDAQ Stock Market to temporarily suspend its minimum bid price requirement until mid April 2009.

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

In the fiscal quarter ended January 31, 2009, we sold common stock and other securities in transactions in reliance upon exemptions from the registration requirements of the Securities Act.

We have issued shares of our common stock to CEOcast, Inc., a consultant, pursuant to an agreement to provide us with investor relation services until January 21, 2009. During the three months ended January 31, 2009, we issued 33,335 shares of common stock to CEOcast pursuant to this agreement. The sale of such shares was exempt from registration under the Securities Act in reliance upon Section 4(2) thereof. We believe that CEOcast, Inc. is an “accredited investor” as that term is defined in Rule 501(a) of Regulation D under the Securities Act. The certificates issued for the shares of common stock will include a legend to indicate that they are restricted. The sales of such securities did not involve the use of underwriters, and no commissions were paid in connection therewith.

During the three months ended January 31, 2009, we issued 12,000 shares of common stock to American Capital Ventures, Inc. pursuant to an agreement with us for financial services. The sale of such shares was exempt from registration under the Securities Act in reliance upon Section 4(2) thereof. We believe that American Capital Ventures, Inc. is an “accredited investor” as that term is defined in Rule 501(a) of Regulation D under the Securities Act. The certificates issued for the shares of common stock will include a legend to indicate that they are restricted. The sales of such securities did not involve the use of underwriters, and no commissions were paid in connection therewith.

During the three months ended January 31, 2009, we issued 37,500 shares of our restricted common stock as partial consideration for the provision of services by The Abajian Group, LLC under a consulting agreement with us. William Abajian, a Business Development Consultant to Generex, is a principal of The Abajian Group, LLC. The sale of such shares was exempt from registration under the Securities Act in reliance upon Section 4(2) thereof. We believe that The Abajian Group, LLC. is an “accredited investor” as that term is defined in Rule 501(a) of Regulation D under the Securities Act. The certificates issued for the shares of common stock will include a legend to indicate that they are restricted. The sales of such securities did not involve the use of underwriters, and no commissions were paid in connection therewith.

We have issued shares of our common stock to Corporate Profile, LLC, a consultant, pursuant to an agreement to provide us with investor relation services until August 31, 2009. During the three months ended January 31, 2009, we issued 25,000 shares of common stock to Corporate Profile pursuant to this agreement. The sale of such shares was exempt from registration under the Securities Act in reliance upon Section 4(2) thereof. We believe that Corporate

Profile, LLC is an “accredited investor” as that term is defined in Rule 501(a) of Regulation D under the Securities Act. The certificates issued for the shares of common stock will include a legend to indicate that they are restricted. The sales of such securities did not involve the use of underwriters, and no commissions were paid in connection therewith.

We have issued shares of our common stock to Avalanche Strategic Communications, a consultant, pursuant to an agreement to provide us with investor relation services until August 31, 2009. During the three months ended January 31, 2009, we issued 86,284 shares of common stock to Avalanche pursuant to this agreement. The sale of such shares was exempt from registration under the Securities Act in reliance upon Section 4(2) thereof. We believe that Avalanche Strategic Communications is an “accredited investor” as that term is defined in Rule 501(a) of Regulation D under the Securities Act. The certificates issued for the shares of common stock will include a legend to indicate that they are restricted. The sales of such securities did not involve the use of underwriters, and no commissions were paid in connection therewith.

Issuer Purchases of Equity Securities

Neither we nor any affiliated purchaser (as defined in Section 240.10 b-18(a)(3) of the Exchange Act) purchased any of our equity securities during the fiscal quarter ended January 31, 2009.

Item 3. Defaults Upon Senior Securities.

Reference is made to the disclosure set forth under Part I, Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations under the heading Financial Condition, Liquidity and Resources - Current Default under Notes in this Quarterly Report on Form 10-Q, which is incorporated by reference herein.

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

None.

Item 5. Other Information.

Reference is made to the disclosure set forth under Part II, Item 2 - Unregistered Sales of Equity Securities and Use of Proceeds under the caption Unregistered Sales of Equity Securities in this Quarterly Report on Form 10-Q, which is incorporated by reference herein.

Item 6. Exhibits.

Exhibits are incorporated herein by reference or are filed with this quarterly report as set forth in the Exhibit Index beginning on page 41 hereof.

SIGNATURES

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

GENEREX BIOTECHNOLOGY CORPORATION
(Registrant)

Date: March 11, 2009	By:	/s/ Anna E. Gluskin Anna E. Gluskin President and Chief Executive Officer
Date: March 11, 2009	By:	/s/ Rose C. Perri Rose C. Perri Chief Financial Officer

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EXHIBIT INDEX

Exhibit Number	Description of Exhibit(1)
2	Agreement and Plan of Merger among Generex Biotechnology Corporation, Antigen Express, Inc. and AGEXP Acquisition Inc. (incorporated by reference to Exhibit 2.1 to Generex Biotechnology Corporation's Current Report on Form 8-K filed on August 15, 2003)
3(i)	Restated Certificate of Incorporation of Generex Biotechnology Corporation (incorporated by reference to Exhibit 3(II) to Generex Biotechnology Corporation's Report on Form 10-Q filed on June 19, 2006)
3(ii)	Amended and Restated By-Laws of Generex Biotechnology Corporation (incorporated by reference to Exhibit 3.2(ii) to Generex Biotechnology Corporation's Report on Form 8-K filed December 5, 2007)
4.1	Form of Common Stock Certificate (incorporated by reference to Exhibit 4.1 to Generex Biotechnology Corporation's Registration Statement on Form S-1 (File No. 333-82667) filed on July 12, 1999)
4.2.1	Form of Securities Purchase Agreement entered into with Cranshire Capital, L.P.; Gryphon Partners, L.P.; Langley Partners, L.P.; Lakeshore Capital, Ltd.; LH Financial; Omicron Capital; Photon Fund, Ltd.; Howard Todd Horberg and Vertical Ventures, LLC dated May 29, 2003 (incorporated by reference to Exhibit 4.1 to Generex Biotechnology Corporation's Report on Form 10-Q/A for the quarter ended April 30, 2003 filed on August 13, 2003)
4.2.2	Form of Registration Rights Agreement entered into with Cranshire Capital, L.P.; Gryphon Partners, L.P.; Langley Partners, L.P.; Lakeshore Capital, Ltd.; LH Financial; Omicron Capital; Photon Fund, Ltd.; Howard Todd Horberg and Vertical Ventures, LLC dated May 29, 2003 (incorporated by reference to Exhibit 4.2 to Generex Biotechnology Corporation's Report on Form 10-Q/A for the quarter ended April 30, 2003 filed on August 13, 2003)
4.2.3	Form of Warrant granted to Cranshire Capital, L.P.; Gryphon Partners, L.P.; Langley Partners, L.P.; Lakeshore Capital, Ltd.; LH Financial; Omicron Capital; Photon Fund, Ltd.; Howard Todd Horberg and Vertical Ventures, LLC dated May 29, 2003 (incorporated by reference to Exhibit 4.3 to Generex Biotechnology Corporation's Report on Form 10-Q/A for the quarter ended April 30, 2003 filed on August 13, 2003)
4.3	Form of replacement Warrant issued to warrant holders exercising at reduced exercise price in May and June 2003 (incorporated by reference to Exhibit 4.13.7 to Generex Biotechnology Corporation's Report on Form 10-K for the period ended July 31, 2003 filed on October 29, 2003)

4.4.1	Securities Purchase Agreement, dated December 19, 2003, by and among Generex Biotechnology Corporation and the investors named therein (incorporated by reference to Exhibit 4.1 to Generex Biotechnology Corporation's Report on Form 8-K/A filed on March 24, 2004)
4.4.2	Registration Rights Agreement, dated December 19, 2003, by and among Generex Biotechnology Corporation and the investors named therein (incorporated by reference to Exhibit 4.2 to Generex Biotechnology Corporation's Report on Form 8-K/A filed on March 24, 2004)

4.4.3	Form of Warrant issued in connection with Exhibit 4.4.1 (incorporated by reference to Exhibit 4.3 to Generex Biotechnology Corporation's Report on Form 8-K/A filed on March 24, 2004)
4.4.4	Form of Additional Investment Right issued in connection with Exhibit 4.4.1 (incorporated by reference to Exhibit 4.4 to Generex Biotechnology Corporation's Report on Form 8-K/A filed on March 24, 2004)
4.5.1	Securities Purchase Agreement, dated January 7, 2004, by and between Generex Biotechnology Corporation and ICN Capital Limited (incorporated by reference to Exhibit 4.1 to Generex Biotechnology Corporation's Report on Form 8-K filed on March 1, 2004)
4.5.2	Registration Rights Agreement, dated January 7, 2004, by and between Generex Biotechnology Corporation and ICN Capital Limited (incorporated by reference to Exhibit 4.2 to Generex Biotechnology Corporation's Report on Form 8-K filed on March 1, 2004)
4.5.3	Warrant issued in connection with Exhibit 4.5.1 (incorporated by reference to Exhibit 4.3 to Generex Biotechnology Corporation's Report on Form 8-K filed on March 1, 2004)
4.5.4	Additional Investment Right issued in connection with Exhibit 4.5.1 (incorporated by reference to Exhibit 4.4 to Generex Biotechnology Corporation's Report on Form 8-K filed on March 1, 2004)
4.6.1	Securities Purchase Agreement, dated January 9, 2004, by and between Generex Biotechnology Corporation and Vertical Ventures, LLC (incorporated by reference to Exhibit 4.5 to Generex Biotechnology Corporation's Report on Form 8-K filed on March 1, 2004)
4.6.2	Registration Rights Agreement, dated January 9, 2004, by and between Generex Biotechnology Corporation and Vertical Ventures, LLC (incorporated by reference to Exhibit 4.6 to Generex Biotechnology Corporation's Report on Form 8-K filed on March 1, 2004)
4.6.3	Warrant issued in connection with Exhibit 4.6.1 (incorporated by reference to Exhibit 4.7 to Generex Biotechnology Corporation's Report on Form 8-K filed on March 1, 2004)
4.6.4	Additional Investment Right issued in connection with Exhibit 4.6.1 (incorporated by reference to Exhibit 4.8 to Generex Biotechnology Corporation's Report on Form 8-K filed on March 1, 2004)
4.7.1	Securities Purchase Agreement, dated February 6, 2004, by and between Generex Biotechnology Corporation and Alexandra Global Master Fund, Ltd. (incorporated by reference to Exhibit 4.9 to Generex Biotechnology Corporation's Report on Form 8-K filed on March 1, 2004)
4.7.2	

	Registration Rights Agreement, dated February 6, 2004, by and between Generex Biotechnology Corporation and Alexandra Global Master Fund, Ltd. (incorporated by reference to Exhibit 4.10 to Generex Biotechnology Corporation's Report on Form 8-K filed on March 1, 2004)
4.7.3	Warrant issued in connection with Exhibit 4.7.1 (incorporated by reference to Exhibit 4.11 to Generex Biotechnology Corporation's Report on Form 8-K filed on March 1, 2004)
4.7.4	Additional Investment Right issued in connection with Exhibit 4.7.1 (incorporated by reference to Exhibit 4.12 to Generex Biotechnology Corporation's Report on Form 8-K filed on March 1, 2004)

4.7.5	Escrow Agreement, dated February 26, 2004, by and among Generex Biotechnology Corporation, Eckert Seamans Cherin & Mellott, LLC and Alexandra Global Master Fund, Ltd. (incorporated by reference to Exhibit 4.13 to Generex Biotechnology Corporation's Report on Form 8-K filed on March 1, 2004)
4.8.1	Securities Purchase Agreement, dated February 11, 2004, by and between Generex Biotechnology Corporation and Michael Sourlis (incorporated by reference to Exhibit 4.14 to Generex Biotechnology Corporation's Report on Form 8-K filed on March 1, 2004)
4.8.2	Registration Rights Agreement, dated February 11, 2004, by and between Generex Biotechnology Corporation and Michael Sourlis (incorporated by reference to Exhibit 4.15 to Generex Biotechnology Corporation's Report on Form 8-K filed on March 1, 2004)
4.8.3	Additional Investment Right issued in connection with Exhibit 4.8.1 (incorporated by reference to Exhibit 4.17 to Generex Biotechnology Corporation's Report on Form 8-K filed on March 1, 2004)
4.9.1	Securities Purchase Agreement, dated February 13, 2004, by and between Generex Biotechnology Corporation and Zapfe Holdings, Inc. (incorporated by reference to Exhibit 4.18 to Generex Biotechnology Corporation's Report on Form 8-K filed on March 1, 2004)
4.9.2	Registration Rights Agreement, dated February 13, 2004, by and between Generex Biotechnology Corporation and Zapfe Holdings, Inc. (incorporated by reference to Exhibit 4.19 to Generex Biotechnology Corporation's Report on Form 8-K filed on March 1, 2004)
4.9.3	Warrant issued in connection with Exhibit 4.9.1 (incorporated by reference to Exhibit 4.20 to Generex Biotechnology Corporation's Report on Form 8-K filed on March 1, 2004)
4.9.4	Additional Investment Right issued in connection with Exhibit 4.9.1 (incorporated by reference to Exhibit 4.21 Generex Biotechnology Corporation's Report on Form 8-K filed on March 1, 2004)
4.10.1	Securities Purchase Agreement, dated June 23, 2004, by and among Generex Biotechnology Corporation and the investors named therein (incorporated by reference to Exhibit 4.1 to Generex Biotechnology Corporation's Report on Form 8-K filed on July 14, 2004)
4.10.2	Registration Rights Agreement, dated June 23, 2004, by and among Generex Biotechnology Corporation and the investors (incorporated by reference to Exhibit 4.2 to Generex Biotechnology Corporation's Report on Form 8-K filed on July 14, 2004)
4.10.3	Form of Warrant issued in connection with Exhibit 4.10.1 (incorporated by reference to Exhibit 4.3 to Generex Biotechnology Corporation's Report

	on Form 8-K filed on July 14, 2004)
4.10.4	Form of Additional Investment Right issued in connection Exhibit 4.10.1 (incorporated by reference to Exhibit 4.4 to Generex Biotechnology Corporation's Report on Form 8-K filed on July 14, 2004)
4.11.1	Securities Purchase Agreement, dated November 10, 2004, by and among Generex Biotechnology Corporation and the investors named therein (incorporated by reference to Exhibit 4.1 to Generex Biotechnology Corporation's Report on Form 8-K filed on November 12, 2004)
4.11.2	Form of 6% Secured Convertible Debenture issued in connection with Exhibit 4.11.1 (incorporated by reference to Exhibit 4.2 to Generex Biotechnology Corporation's Report on Form 8-K filed on November 12, 2004)

4.11.3	Registration Rights Agreement, dated November 10, 2004, by and among Generex Biotechnology Corporation and the investors named therein (incorporated by reference to Exhibit 4.3 to Generex Biotechnology Corporation's Report on Form 8-K filed on November 12, 2004)
4.11.4	Form of Voting Agreement entered into in connection with Exhibit 4.11.1 (incorporated by reference to Exhibit 4.7 to Generex Biotechnology Corporation's Report on Form 8-K filed on November 12, 2004)
4.12	Warrant issued to The Aethena Group, LLC on April 28, 2005 (incorporated by reference to Exhibit 4.20 to Generex Biotechnology Corporation's Quarterly Report on Form 10-Q filed on June 14, 2005)
4.13.1	Amendment No. 4 to Securities Purchase Agreement and Registration Rights Agreement entered into by and between Generex Biotechnology Corporation and the Purchasers listed on the signature pages thereto on January 19, 2006 (incorporated by reference herein to Exhibit 4.1 to Generex Biotechnology Corporation's Report on Form 8-K filed on January 20, 2006)
4.13.2	Form of Additional AIRs issued in connection with Exhibit 4.13.1 (incorporated by reference herein to Exhibit 4.4 to Generex Biotechnology Corporation's Report on Form 8-K filed on January 20, 2006)
4.14	Form of Warrant issued by Generex Biotechnology Corporation on January 23, 2006 (incorporated by reference to Exhibit 4.2 to Generex Biotechnology Corporation's Report on Form 8-K filed on January 24, 2006)
4.15.1	Agreement to Amend Warrants between Generex Biotechnology Corporation and Cranshire Capital L.P. dated February 27, 2006 (incorporated by reference to Exhibit 4.1 to Generex Biotechnology Corporation's Report on Form 8-K filed on February 28, 2006).
4.15.2	Agreement to Amend Warrants between Generex Biotechnology Corporation and Omicron Master Trust dated February 27, 2006 (incorporated by reference to Exhibit 4.2 to Generex Biotechnology Corporation's Report on Form 8-K filed on February 28, 2006).
4.15.3	Agreement to Amend Warrants between Generex Biotechnology Corporation and Iroquois Capital L.P. dated February 27, 2006 (incorporated by reference to Exhibit 4.3 to Generex Biotechnology Corporation's Report on Form 8-K filed on February 28, 2006).
4.15.4	Agreement to Amend Warrants between Generex Biotechnology Corporation and Smithfield Fiduciary LLC dated February 27, 2006 (incorporated by reference to Exhibit 4.4 to Generex Biotechnology Corporation's Report on Form 8-K filed on February 28, 2006).
4.15.5	

	Form of Warrant issued by Generex Biotechnology Corporation on February 27, 2006 (incorporated by reference to Exhibit 4.26 to Generex Biotechnology Corporation's Report on Form 10-K filed on October 16, 2006)
4.16.1	Agreement to Amend Additional Investment Right between Generex Biotechnology Corporation and Cranshire Capital, L.P. dated February 28, 2006 (incorporated by reference to Exhibit 4.1 to Generex Biotechnology Corporation's Report on Form 8-K filed on March 1, 2006).
4.16.2	Agreement to Amend Additional Investment Right between Generex Biotechnology Corporation and Omicron Master Trust dated February 28, 2006 (incorporated by reference to Exhibit 4.2 to Generex Biotechnology Corporation's Report on Form 8-K filed on March 1, 2006).

4.16.3	Agreement to Amend Additional Investment Right between Generex Biotechnology Corporation and Iroquois Capital LP dated February 28, 2006 (incorporated by reference to Exhibit 4.3 to Generex Biotechnology Corporation's Report on Form 8-K filed on March 1, 2006).
4.16.4	Agreement to Amend Additional Investment Right between Generex Biotechnology Corporation and Smithfield Fiduciary LLC dated February 28, 2006 (incorporated by reference to Exhibit 4.4 to Generex Biotechnology Corporation's Report on Form 8-K filed on March 1, 2006).
4.16.5	Form of Additional AIR Debenture issued by Generex Biotechnology Corporation on February 28, 2006 (incorporated by reference to Exhibit 4.31 to Generex Biotechnology Corporation's Report on Form 10-K filed on October 16, 2006)
4.16.6	Form of Additional AIR Warrant issued by Generex Biotechnology Corporation on February 28, 2006 (incorporated by reference to Exhibit 4.32 to Generex Biotechnology Corporation's Report on Form 10-K filed on October 16, 2006)
4.17.1	Form of Agreement to Amend Warrants between Generex Biotechnology Corporation and the Investors dated March 6, 2006 (incorporated by reference to Exhibit 4.1 to Generex Biotechnology Corporation's Report on Form 8-K filed on March 7, 2006).
4.17.2	Form of Warrant issued by Generex Biotechnology Corporation on March 6, 2006 (incorporated by reference to Exhibit 4.2 to Generex Biotechnology Corporation's Report on Form 8-K filed on March 7, 2006)
4.18	Warrant issued by Generex Biotechnology Corporation on April 17, 2006 to Zapfe Holdings, Inc. (incorporated by reference to Exhibit 4.33 to Generex Biotechnology Corporation's Report on Form 10-Q filed on June 14, 2006)
4.19	Form of Warrant issued by Generex Biotechnology Corporation on April 17, 2006 to certain employees (incorporated by reference to Exhibit 4.34 to Generex Biotechnology Corporation's Report on Form 10-Q filed on June 14, 2006).
4.20.1	Securities Purchase Agreement entered into by and between Generex Biotechnology Corporation and four Investors on June 1, 2006 (incorporated by reference to Exhibit 4.1 to Generex Biotechnology Corporation's Report on Form 8-K filed on June 2, 2006)
4.20.2	Form of Warrant issued by Generex Biotechnology Corporation on June 1, 2006 (incorporated by reference to Exhibit 4.2 to Generex Biotechnology Corporation's Report on Form 8-K filed on June 2, 2006)
4.21.1	Form of Amendment to Outstanding Warrants (incorporated by reference to Exhibit 4.3 to Generex Biotechnology Corporation's Report on Form

	8-K filed on June 2, 2006)
4.21.2	Form of Warrant issued by Generex Biotechnology Corporation on June 1, 2006 in connection with Exhibit 4.39 (incorporated by reference to Exhibit 4.4 to Generex Biotechnology Corporation's Report on Form 8-K filed on June 2, 2006)
4.22.1	Securities Purchase Agreement, dated as of March 31, 2008 among the Registrant and each of the purchasers named therein (incorporated by reference to Exhibit 4.1 to Generex Biotechnology Corporation's Report on Form 8-K filed on April 2, 2008)

4.22.2	Form of 8% Secured Convertible Note, as amended (incorporated by reference to Exhibit 4.2 to Generex Biotechnology Corporation's Registration Statement (333-150562) on Form S-3 filed on April 30, 2008)
4.22.3	Form of Series A Warrant, as amended (incorporated by reference to Exhibit 4.3 to Generex Biotechnology Corporation's Registration Statement on Form S-3 (333-150562) filed on April 30, 2008)
4.22.4	Form of Series A-1 Warrant, as amended (incorporated by reference to Exhibit 4.4 to Generex Biotechnology Corporation's Registration Statement on Form S-3 (333-150562) filed on April 30, 2008)
4.22.5	Form of Series B Warrant, as amended (incorporated by reference to Exhibit 4.5 to Generex Biotechnology Corporation's Registration Statement on Form S-3 (333-150562) filed on April 30, 2008)
4.22.6	Form of Series C Warrant, as amended (incorporated by reference to Exhibit 4.6 to Generex Biotechnology Corporation's Registration Statement on Form S-3 (333-150562) filed on April 30, 2008)
4.22.7	Registration Rights Agreement, dated March 31, 2008, among Registrant and each of the purchasers under Securities Purchase Agreement (incorporated by reference to Exhibit 4.7 to Generex Biotechnology Corporation's Report on Form 8-K filed on April 2, 2008)
4.22.8	Security Agreement (incorporated by reference to Exhibit 4.8 to Generex Biotechnology Corporation's Report on Form 8-K filed on April 2, 2008)
4.22.9	Form of Guaranty (incorporated by reference to Exhibit 4.9 to Generex Biotechnology Corporation's Report on Form 8-K filed on April 2, 2008)
9	Form of Voting Agreement entered into in connection with Exhibit 4.11.1 (incorporated by reference to Exhibit 4.7 to Generex Biotechnology Corporation's Report on Form 8-K filed on November 12, 2004)
10.1	Form of separate Agreements entered into with each of Cranshire Capital, L.P., Portside Growth and Opportunity Fund, Rockmore Investment Master Fund Ltd., Smithfield Fiduciary LLC and Iroquois Capital Opportunity Fund, LP on December 22, 2008 (incorporated by reference to Exhibit 10.1 to Generex Biotechnology Corporation's Report on Form 8-K filed on December 23, 2008)
10.2	Form of Agreement entered into with Iroquois Master Fund Ltd. on December 22, 2008 (incorporated by reference to Exhibit 10.2 to Generex Biotechnology Corporation's Report on Form 8-K filed on December 23, 2008)
10.3	Form of Forbearance and Amendment Agreement dated as of February 27, 2009 and entered into by and between Generex Biotechnology

	Corporation and each of Cranshire Capital, L.P., Portside Growth and Opportunity Fund, Rockmore Investment Master Fund Ltd., Smithfield Fiduciary LLC, Iroquois Master Fund Ltd. and Iroquois Capital Opportunity Fund, LP. (incorporated by reference to Exhibit 10.1 to Generex Biotechnology Corporation's Report on Form 8-K filed on March 2, 2009).
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32	Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

(1) In the case of incorporation by reference to documents filed by the Registrant under the Exchange Act, the Registrant's file number under the Exchange Act is 000-25169.