

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

Table of Contents

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

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

For the quarterly period ended September 30, 2007

OR

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

For the transition period from _____ to _____

**Commission file number 000-52091
GEOVAX LABS, INC.**

(Exact name of Registrant as specified in its charter)

Illinois

(State or other jurisdiction
of incorporation or organization)

87-0455038

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

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

(Address of principal executive offices)

30306

(Zip Code)

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

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

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

Large accelerated filer Accelerated filer Non-Accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act):

Yes No

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

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

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

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

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

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

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

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

See accompanying notes to financial statements.

1

Table of Contents

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

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

See accompanying notes to financial statements.

Table of Contents

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

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

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

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

Balance at
September 30, 2007
(unaudited)

See accompanying notes to financial statements.

3

Table of Contents

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

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

Table of Contents

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

1. Description of Company and Basis of Presentation

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

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

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

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

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

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

Table of Contents

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

2. New Accounting Pronouncements

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

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

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

3. Basic and Diluted Loss Per Common Share

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

4. Stock-Based Compensation

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

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

Table of Contents

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

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

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

Ex