Geovax Labs, Inc.
Form POS AM
May 13, 2009

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

POST-EFFECTIVE AMENDMENT NO. 2
FORM S-1
REGISTRATION STATEMENT
UNDER THE SECURITIES ACT OF 1933

GEOVAX LABS, INC.
(Exact name of registrant as specified in its charter)

Delaware	**2834**	**87-0455038**
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification Number)

1256 Briarcliff Road NE, Atlanta, Georgia 30306, (404) 727-0971
(Address, including zip code, and telephone number, including area code, of registrant s principal executive offices)

Robert T. McNally, Ph.D.	**With a copy to:**
President & Chief Executive Officer	**T. Clark Fitzgerald III**
GeoVax Labs, Inc.	**Womble Carlyle Sandridge & Rice, PLLC**
1256 Briarcliff Road NE	**271 17th Street, NW, Suite 2400**
Atlanta, Georgia 30306	**Atlanta, Georgia 30363**
(404) 727-0971	**(404) 879-2455**

(Name, address, including zip code, and telephone number, including area code, of agent for service)

Approximate date of commencement of proposed sale to the public: From time to time after the effective date of this Amendment No. 2 to registration statement.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act, check the following box. þ

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

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. (Check one):

Large accelerated filer o	Accelerated filer þ	Non-accelerated filer o	Smaller reporting company o
		(Do not check if a smaller reporting company)	

The registrant hereby amends this Post-Effective Amendment No. 2 to registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this Post-Effective Amendment No. 2 to registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Post-Effective Amendment No. 2 to registration

statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

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EXPLANATORY NOTE

This Post-Effective Amendment No. 2 to Form S-1 (this Post-Effective Amendment) is being filed pursuant to Section 10(a)(3) of the Securities Act to update our registration statement on Form S-1 (Registration No. 333-151491) (the Registration Statement), which was previously declared effective by the Securities and Exchange Commission on July 1, 2008, to (i) include the consolidated financial statements and the notes thereto included in our Annual Report on Form 10-K, for the fiscal year ended December 31, 2008, (ii) include the information contained in Schedule 14A filed April 29, 2009, (iii) include the unaudited consolidated financial statements and the notes thereto included in our Quarterly Report on Form 10-Q for the three month period ended March 31, 2009, and (iv) update certain other information in the Registration Statement. No additional securities are being registered under this Post-Effective Amendment. All applicable registration fees were paid at the time of the original filing of the Registration Statement.

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The information in this prospectus is not complete and may be changed. The selling stockholder may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting offers to buy these securities in any state where the offer or sale is not permitted.

Preliminary Prospectus, subject to completion dated May 13, 2009

PROSPECTUS

GEOVAX LABS, INC.

40,161,020 Shares of Common Stock

This prospectus relates to the sale of up to 40,161,020 shares of our common stock, $0.001 par value, by Fusion Capital Fund II, LLC (Fusion Capital). Fusion Capital is sometimes referred to in this prospectus as Fusion or the selling stockholder . The prices at which Fusion Capital may sell the shares will be determined by the prevailing market price for the shares or in negotiated transactions. We will not receive proceeds from the sale of our shares by Fusion Capital.

Our common stock is registered under Section 12(g) of the Securities Exchange Act of 1934 and quoted on the over-the-counter bulletin board under the symbol GOVX. On May 12, 2009, the last reported sale price for our common stock as reported on the over-the-counter bulletin board was $0.24 per share.

Investing in the common stock involves certain risks. See Risk Factors beginning on page 3 for a discussion of these risks.

The selling stockholder is an underwriter within the meaning of the Securities Act of 1933, as amended.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this Prospectus is May _____, 2009

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You should rely only on the information contained in this prospectus and in any accompanying prospectus supplement. We have not authorized anyone to provide you with different information.

We have not authorized the selling stockholder to make an offer of these shares of common stock in any jurisdiction where the offer is not permitted.

You should not assume that the information in this prospectus or prospectus supplement is accurate as of any date other than the date on the front of this prospectus.

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PROSPECTUS SUMMARY

You should rely only on the information contained in this prospectus and in any prospectus supplement. We have not authorized anyone else to provide you with different information, and if you receive any unauthorized information you should not rely on it. We have not authorized the selling stockholder to make an offer of these shares in any place where the offer is not permitted. The information appearing in this prospectus or any prospectus supplement is accurate only as of its date. Our business, financial condition, results of operations and prospects may have changed since that date.

Business

GeoVax Labs, Inc. is a clinical 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. We have exclusively licensed from Emory University certain Acquired Immune Deficiency Syndrome (AIDS) vaccine technology that was developed in collaboration with the National Institutes of Health (NIH) and the Centers for Disease Control and Prevention.

Our HIV vaccine candidates have successfully completed preclinical efficacy testing in non-human primates and Phase 1 clinical testing trials in humans. A Phase 2a human clinical trial for our preventative HIV vaccine candidate was initiated during the fourth quarter of 2008, and patient enrollment commenced in February 2009. The costs of conducting our human clinical trials to date have been borne by the HIV Vaccine Trials Network (HVTN), with GeoVax incurring costs associated with manufacturing the clinical vaccine supplies and other study support.

Our vaccines, initially developed by Dr. Harriet L. Robinson at Emory University in collaboration with researchers at the NIH, National Institute of Allergy and Infectious Disease (NIAID), and the United States Centers for Disease Control (CDC), are recombinant DNA (deoxyribonucleic acid) and MVA (Modified Vaccinia Ankara) vaccines. Our focus is on developing AIDS vaccines comprising the major HIV-1 subtypes (A, B and C). These vaccines could be used alone or as combinations depending on a local infection. Subtype B is most common in North America, the EU, Japan and Australia and is our first priority.

When properly administered in series, these AIDS vaccines induce strong cellular and humoral immunity (protection) in non-human primates against multiple HIV-1 proteins (AIDS virus components). This suggests that our vaccines could provide protection against the development of AIDS in HIV-1 virus infected people.

The Offering

On May 8, 2008, we entered into a common stock purchase agreement (the Purchase Agreement) with Fusion Capital Fund II, LLC, an Illinois limited liability company (Fusion Capital or Fusion). Under the Purchase Agreement, Fusion Capital is obligated, under certain conditions, to purchase shares from us in an aggregate amount of up to $10.0 million from time to time over a twenty-five (25) month period. Under the terms of the Purchase Agreement, Fusion Capital received a commitment fee consisting of 2,480,510 shares of our common stock. Also, we agreed to issue to Fusion Capital up to an additional 2,480,510 shares as a commitment fee pro rata as we received the up to $10.0 million of future funding. We have issued 228,208 of the 2,480,510 shares as of April 30, 2009.

We have now sold an aggregate of 7,960,417 shares to Fusion Capital and received proceeds of $920,000. As of April 30, 2009, 751,803,510 shares of our common stock were outstanding (including shares held by non-affiliates) excluding the up to 29,291,885 of the shares offered by Fusion Capital pursuant to this prospectus which we have not yet issued to Fusion Capital. If all of such 29,291,885 shares were issued and outstanding as of the date hereof, the 40,161,020 shares offered hereby would represent 5.1% of the total common stock outstanding or 10.3% of the non-affiliate shares outstanding as of the date hereof. The number of shares ultimately offered for sale by Fusion Capital is dependent upon the number of shares purchased by Fusion Capital under the Purchase Agreement.

Under the Purchase Agreement and the related registration rights agreement we are required to register and have included in the offering for resale by Fusion Capital pursuant to this prospectus:

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2,480,510 shares which were issued as a commitment fee;

200,000 shares which we issued to Fusion Capital as an expense reimbursement;

an additional 2,480,510 shares which we may issue in the future as a commitment fee pro rata as we receive the up to $10.0 million of future funding; and

35.0 million shares which we may sell to Fusion Capital.

All 40,161,020 shares are being offered pursuant to this prospectus. Under the Purchase Agreement, we have the right but not the obligation to sell more than the 35.0 million shares to Fusion Capital. As of the date hereof, we do not have any plans or intent to sell to Fusion Capital any shares beyond this 35.0 million shares. However, if we elect to sell more than the 35.0 million shares, we must first register under the Securities Act of 1933 (the Securities Act) any additional shares we may elect to sell to Fusion Capital before we can sell such additional shares, which could cause substantial dilution to our stockholders.

We did not have the right to commence any sales of our shares to Fusion Capital until the SEC declared effective the registration statement of which this prospectus is a part. The registration statement was declared effective on July 1, 2008 and the conditions to commence funding were satisfied. Generally, we have the right but not the obligation from time to time to sell our shares to Fusion Capital in amounts between $80,000 and $1.0 million depending on certain conditions. We have the right to control the timing and amount of any sales of our shares to Fusion Capital, subject to certain limitations. The purchase price of the shares will be determined pursuant to a formula based upon the market price of our shares without any fixed discount at the time of each sale. Fusion Capital shall not have the right nor the obligation to purchase any shares of our common stock on any business day that the price of our common stock is below $0.05. There are no negative covenants, restrictions on future fundings, penalties or liquidated damages in the Purchase Agreement or the registration rights agreement. The Purchase Agreement may be terminated by us at any time at our discretion without any cost to us.

We were an Illinois corporation. On March 11, 2008 our Board of Directors determined that it would be in the best interests of our company and our shareholders to reincorporate in Delaware. In order to accomplish this reincorporation, we formed a corporation in Delaware called GeoVax Labs, Inc.

In conjunction with the reincorporation in Delaware our Board of Directors unanimously adopted and approved an Agreement and Plan of Merger of GeoVax Labs, Inc., an Illinois corporation, and GeoVax Labs, Inc., a Delaware corporation (the Reincorporation Merger Agreement). We submitted the reincorporation proposal to our shareholders. The reincorporation was approved by them and the reincorporation merger was consummated on June 18, 2008.

As used herein, GeoVax , the Company , we , our and similar terms include GeoVax Labs, Inc., an Illinois corporation, and its subsidiaries, and after the reincorporation includes GeoVax Labs, Inc., a Delaware corporation, unless the context indicates otherwise.

Our principal executive offices are located at 1256 Briarcliff Road NE, Atlanta, Georgia 30306. Our telephone number is (404) 727-0971. The address of our website is *www.geovax.com*. Information on our website is not part of this prospectus.

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RISK FACTORS

You should carefully consider the risks, uncertainties and other factors described below before you decide whether to buy shares of our common stock. Any of the factors could materially and adversely affect our business, financial condition, operating results and prospects and could negatively impact the market price of our common stock. Also, you should be aware that the risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties, of which we are not yet aware, or that we currently consider to be immaterial, may also impair our business operations. You should also refer to the other information contained in and incorporated by reference into this prospectus, including our financial statements and the related notes.

Risks Related to Our Financial Results and Need for Additional Financing

We have a history of operating losses, and we expect losses to continue for the foreseeable future.

Our ability to generate revenue and achieve profitability depends on our ability to successfully develop our product candidates, conduct preclinical tests and clinical trials, obtain the necessary regulatory approvals and manufacture and market the resulting products. We have had no product revenue to date. We have experienced operating losses since we began operations in 2001. As of March 31, 2009, we had an accumulated deficit of approximately $15.1 million. We expect to incur additional operating losses and expect cumulative losses to increase as our research and development, preclinical, clinical, manufacturing and marketing efforts expand.

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

To date, we have financed our operations principally through the private placement of equity securities and through government grants. We will require substantial additional financing at various intervals for our operations, including for clinical trials, for operating expenses including intellectual property protection and enforcement, for pursuit of regulatory approvals and for establishing or contracting out manufacturing, marketing and sales functions. There is no assurance that such additional funding will be available on terms acceptable to us or at all. If we are not able to secure the significant funding that is required to maintain and continue our operations at current levels or at levels that may be required in the future, we may be required to delay clinical studies, curtail operations or obtain funds through collaborative arrangements that may require us to relinquish rights to some of our products or potential markets.

We only have the right to receive $80,000 every 4 business days under the Purchase Agreement with Fusion Capital unless the market price of our stock equals or exceeds $0.11, in which case we can sell greater amounts to Fusion Capital as the market price of our common stock increases. Fusion Capital does not have the right nor the obligation to purchase any shares of our common stock on any business day that the market price of our common stock is less than $0.05. The 40,161,020 shares we registered for sale by Fusion Capital pursuant to this prospectus include a total of 35.0 million of our shares for sale by us to Fusion Capital for cash, of which approximately 27.0 million remain available for sale to Fusion Capital at April 30, 2009. Our sale price of these shares to Fusion Capital will have to average at least $0.34 per share for us to receive the maximum remaining proceeds of $9.1 million. Depending on the prevailing market price of our common stock and its trading volume, we may be unable to access the full remaining amount available from Fusion Capital prior to expiration of the Purchase Agreement, unless we choose to register and sell more shares, which we have the right, but not the obligation, to do. Subject to approval by our Board of Directors, we have the right but not the obligation to sell more than 35.0 million shares to Fusion Capital. In the event we elect to sell more than 35.0 million shares, we will be required to file a new registration statement and have it declared effective by the U.S. Securities & Exchange Commission.

The extent we rely on Fusion Capital as a source of funding will depend on a number of factors including, the prevailing market price of our common stock and the extent to which we are able to secure working capital from other sources, such as through the sale of our products. Specifically, Fusion Capital does not have the right nor the obligation to purchase any shares of our common stock on any business days that the stock sale price of our common stock is less than $0.05. If obtaining sufficient financing from Fusion Capital proves unavailable or prohibitively dilutive and if we are unable to commercialize and sell enough of our products, we will need to secure another source of funding in order to satisfy our working capital needs. Even if we are able to access the full

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$10.0 million under the Purchase Agreement with Fusion Capital, we may still need additional capital to fully implement our business, operating and development plans. Should the financing we require to sustain our working capital needs be unavailable or prohibitively expensive when we require it, the consequences could be a material adverse effect on our business, operating results, financial condition and prospects.

The current economic downturn may adversely impact our ability to raise capital.

The recent economic downturn and adverse conditions in the national and global markets may negatively affect our operations in the future. The falling equity markets and adverse credit markets may make it difficult for us to raise capital or procure credit in the future to fund the growth of our business, which could have a negative impact on our business and results of operations.

Risks Related to Development and Commercialization of Product Candidates and Dependence on Third Parties

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

In order to become profitable, we must generate revenue through sales of our products, however, our products are in varying stages of development and testing. Our products have not been proven in human research trials and have not been approved by any government agency for sale. Furthermore, if we enter into an agreement with Vivalis S.A. (see Business Manufacturing), our collaboration may not result in a commercially advantageous method for producing our MVA vaccine component. If we cannot successfully develop and prove our products and processes, and if we do not develop other sources of revenue, we will not become profitable and at some point we would discontinue operations.

We have sold no products or generated any product revenues and we do not anticipate any significant revenues to be generated in the foreseeable future.

We have conducted pre-clinical trials and are conducting clinical trials and will continue to do so for several more years before we are able to commercialize our technology. Although we have recognized revenues from government grants, there can be no assurance that we will ever generate significant product revenues.

Whether we are successful will be dependent, in part, upon the leadership provided by our management. If we were to lose the services of any of these individuals, our business and operations may be adversely affected.

Whether our business will be successful will be dependent, in part, upon the leadership provided by our officers, particularly our Chairman, President and Chief Executive Officer, members of our Board of Directors and our primary scientist. The loss of the services of these individuals may have an adverse effect on our operations.

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

In order to manufacture and sell our products, we must comply with extensive international and domestic regulation. In order to sell our products in the United States, approval from the FDA is required. The FDA approval process is expensive and time-consuming. We cannot predict whether our products will be approved by the FDA. Even if they are approved, we cannot predict the time frame for approval. Foreign regulatory requirements differ from jurisdiction to jurisdiction and may, in some cases, be more stringent or difficult to meet than FDA requirements. As with the FDA, we cannot predict if or when we may obtain these regulatory approvals. If we cannot demonstrate that our products can be used safely and successfully in a broad segment of the patient population on a long-term basis, our products would likely be denied approval by the FDA and the regulatory agencies of foreign governments.

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

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

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

the efficacy and safety of our vaccines;

the time and scope of regulatory approval;

reimbursement coverage from insurance companies and others;

the price and cost-effectiveness of our products; and

patent protection.

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

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

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

Because we cannot predict whether or when we will obtain regulatory approval to commercialize our product candidates, we cannot predict the timing of any future revenue from these product candidates.

We cannot commercialize any of our product candidates until the appropriate regulatory authorities have reviewed and approved the applications for the product candidates. The regulatory agencies may not complete their review processes in a timely manner and we may not obtain regulatory approval for any product candidate we or our collaborators develop. Satisfaction of regulatory requirements typically takes many years, if approval is obtained at all, is dependent upon the type, complexity and novelty of the product and requires the expenditure of substantial resources. Regulatory approval processes outside the United States may include all of the risks associated with the FDA approval process. In addition, we may experience delays or rejections based upon additional government regulation from future legislation or administrative action or changes in FDA policy during the period of product development, clinical trials and FDA regulatory review. The FDA has substantial discretion in the approval process and may refuse to accept any application or may decide that our data is insufficient for approval and require additional preclinical, clinical or other studies. In addition, varying interpretations of the data obtained from preclinical and clinical testing could delay, limit or prevent regulatory approval of a product candidate.

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We may experience delays in our clinical trials that could adversely affect our financial results and our commercial prospects.

We do not know whether planned clinical trials will begin on time or whether we will complete any of our clinical trials on schedule or at all. Product development costs will increase if we have delays in testing or approvals or if we need to perform more or larger clinical trials than planned. Significant delays may adversely affect our financial results and the commercial prospects for our products, and delay our ability to become profitable.

We rely heavily on the HIV Vaccine Trials Network (HVTN), independent clinical investigators, and other third party service providers for successful execution of our clinical trials, but do not control many aspects of their activities. We are responsible for ensuring that each of our clinical trials is conducted in accordance with the general investigational plan and protocols for the trial. Moreover, the FDA requires us to comply with standards, commonly referred to as Good Clinical Practices, for conducting and recording and reporting the results of clinical trials to assure that data and reported results are credible and accurate and that the rights, integrity and confidentiality of trial participants are protected. Our reliance on third parties that we do not control does not relieve us of these responsibilities and requirements. Third parties may not complete activities on schedule, or may not conduct our clinical trials in accordance with regulatory requirements or our stated protocols. The failure of these third parties to carry out their obligations could delay or prevent the development, approval and commercialization of our product candidates.

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

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

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

In recent years, several states, including California, Vermont, Maine, Minnesota, New Mexico and West Virginia, have enacted legislation requiring pharmaceutical companies to establish marketing compliance programs and file periodic reports on sales, marketing, pricing and other activities. Similar legislation is being considered in other states. Many of these requirements are new and uncertain, and available guidance is limited. Unless we are in full compliance with these laws, we could face enforcement action and fines and other penalties and could receive adverse publicity, all of which could harm our business.

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

In 1997, a public registry of open clinical trials involving drugs intended to treat serious or life-threatening diseases or conditions was established under the Food and Drug Administration Modernization Act, or the FDMA, in order to promote public awareness of and access to these clinical trials. Under the FDMA, pharmaceutical manufacturers and other trial sponsors are required to post the general purpose of these trials, as well as the eligibility criteria, location and contact information of the trials. Since the establishment of this registry, there has been significant public debate focused on broadening the types of trials included in this or other registries, as well as providing for public access to clinical trial results. A voluntary coalition of medical journal editors has adopted a resolution to publish results only from those trials that have been registered with a no-cost, publicly accessible database, such as www.clinicaltrials.gov. Federal legislation was introduced in the fall of 2004 to expand

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www.clinicaltrials.gov and to require the inclusion of study results in this registry. The Pharmaceutical Research and Manufacturers of America has also issued voluntary principles for its members to make results from certain clinical studies publicly available and has established a website for this purpose. Other groups have adopted or are considering similar proposals for clinical trial registration and the posting of clinical trial results. Failure to comply with any clinical trial posting requirements could expose us to negative publicity, fines and other penalties, all of which could materially harm our business.

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

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

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

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

We may not be successful in establishing collaborations for product candidates we may seek to commercialize, which could adversely affect our ability to discover, develop and commercialize products.

We expect to seek collaborations for the development and commercialization of product candidates in the future. The timing and terms of any collaboration will depend on the evaluation by prospective collaborators of the trial results and other aspects of our vaccine s safety and efficacy profile. If we are unable to reach agreements with suitable collaborators for any product candidate, we would be forced to fund the entire development and commercialization of such product candidates, and we may not have the resources to do so. If resource constraints require us to enter into a collaboration early in the development of a product candidate, we may be forced to accept a more limited share of any revenues that product may eventually generate. We face significant competition in seeking appropriate collaborators. Moreover, collaboration arrangements are complex and time-consuming to negotiate and document. We may not be successful in our efforts to establish collaborations or other alternative arrangements for any product candidate. Even if we are successful in establishing collaborations, we may not be able to ensure fulfillment by collaborators of their obligations or our expectations.

We do not have sales and marketing experience and our lack of experience may restrict our success in commercializing our product candidates.

We do not have experience in marketing or selling vaccines. We may be unable to establish satisfactory arrangements for marketing, sales and distribution capabilities necessary to commercialize and gain market acceptance for our products. Obtaining the expertise necessary to successfully market and sell our vaccines will

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require the development of our own commercial infrastructure and/or collaborative commercial arrangements and partnerships. Our ability to make that investment and also execute our current operating plan is dependent on numerous factors, including the performance of third party collaborators with whom we may contract. Accordingly, we may not have sufficient funds to successfully commercialize our vaccines in the United States or elsewhere.

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

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

Risks Related to Our Intellectual Property

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

Our success will depend in part on our ability to operate without infringing the patents and proprietary rights of third parties. The manufacture, use and sale of new products have been subject to substantial patent rights litigation in the pharmaceutical industry. These lawsuits generally relate to the validity and infringement of patents or proprietary rights of third parties. Infringement litigation is prevalent with respect to generic versions of products for which the patent covering the brand name product is expiring, particularly since many companies which market generic products focus their development efforts on products with expiring patents. Pharmaceutical companies, biotechnology companies, universities, research institutions or other third parties may have filed patent applications or may have patents that cover aspects of our products or our licensors products, product candidates or other technologies.

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

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

pay damages; or

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

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

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

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

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

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

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

Risks Related to Our Common Stock

The sale of our common stock to Fusion Capital may cause dilution and the sale of the shares of common stock acquired by Fusion Capital could cause the price of our common stock to decline.

In connection with entering into the Purchase Agreement, we authorized the sale to Fusion Capital of up to 35.0 million shares of our common stock. The number of shares ultimately offered for sale by Fusion Capital under this prospectus is dependent upon the number of shares purchased by Fusion Capital under the Purchase Agreement. The purchase price for the common stock to be sold to Fusion Capital pursuant to the Purchase Agreement will fluctuate based on the price of our common stock. All 40,161,020 shares registered in this offering are expected to be freely tradable when sold pursuant to this prospectus. It is anticipated that shares registered in this offering will be sold over a period of up to 25 months from July 1, 2008. The 2,480,510 shares issued as an initial commitment fee may not be sold by Fusion Capital until the earlier of 500 days after May 8, 2008, or the termination of the Purchase Agreement, subject to certain exceptions. Depending upon market liquidity at the time, a sale of shares under this offering at any given time could cause the trading price of our common stock to decline. Fusion Capital may ultimately acquire all, some or none of the 29,291,885 shares of common stock not yet issued but registered in this offering. After it has acquired such shares, Fusion Capital may sell all, some or none of such shares. Therefore, sales to Fusion Capital by us under the Purchase Agreement may result in substantial dilution to the interests of other holders of our common stock.

The Purchase Agreement with Fusion Capital may adversely impact our other fundraising initiatives.

The sale of a substantial number of shares of our common stock under this offering, or anticipation of such sales, could make it more difficult for us to sell equity or equity-related securities in the future at a time and at a price that we might otherwise wish to effect sales. However, we have the right to control the timing and amount of any sales of our shares to Fusion Capital and the Purchase Agreement may be terminated by us at any time at our discretion without any cost to us.

The market price of our common stock is highly volatile.

The market price of our common stock has been and is expected to continue to be highly volatile. Factors, including announcements of technological innovations by us or other companies, regulatory matters, new or existing products or procedures, concerns about our financial position, operating results, litigation, government regulation, developments or disputes relating to agreements, patents or proprietary rights, may have a significant impact on the market price of our stock. In addition, potential dilutive effects of future sales of shares of common stock by stockholders and by the Company, including Fusion Capital pursuant to this prospectus and subsequent sale of common stock by the holders of warrants and options could have an adverse effect on the market price of our shares.

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Our common stock is and likely will remain subject to the SEC s Penny Stock rules, which may make our shares more difficult to sell.

Because the price of our common stock is currently and may remain less than $5.00 per share, it is classified as a penny stock. The SEC rules regarding penny stocks may have the effect of reducing trading activity in our shares, making it more difficult for investors to sell. Under these rules, broker-dealers who recommend such securities to persons other than institutional accredited investors must:

make a special written suitability determination for the purchaser;

receive the purchaser s written agreement to a transaction prior to sale;

provide the purchaser with risk disclosure documents which identify certain risks associated with investing in penny stocks and which describe the market for these penny stocks as well as a purchaser s legal remedies;

obtain a signed and dated acknowledgement from the purchaser demonstrating that the purchaser has received the required risk disclosure document before a transaction in a penny stock can be completed; and

give bid and offer quotations and broker and salesperson compensation information to the customer orally or in writing before or with the confirmation.

These rules make it more difficult for broker-dealers to effectuate customer transactions and trading activity in our securities and may result in a lower trading volume of our common stock and lower trading prices.

The sale of our common stock to Fusion Capital may not be possible when we need it, thus limiting our ability to continue our product development and commercialization.

The Purchase Agreement may be terminated in the event of a default under the agreement. In addition, we may not require Fusion Capital to purchase any shares of our common stock if the purchase price is less than $0.05 per share. Thus, we may be unable to sell shares of our common stock to Fusion Capital when we need the funds, and that could severely harm our business and financial condition and our ability to continue to develop and commercialize our products. See The Fusion Transaction.

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FORWARD-LOOKING STATEMENTS

The information contained in this prospectus, including the information incorporated by reference into this prospectus, includes forward-looking statements as defined in the Private Securities Reform Act of 1995. These forward-looking statements are often identified by words such as may, will, expect, intend, anticipate, believe, estimate, continue, plan and similar expressions. These statements involve estimates, assumptions and uncertainties that could cause actual results to differ materially from those expressed for the reasons described in this prospectus. You should not place undue reliance on these forward-looking statements.

You should be aware that our actual results could differ materially from those contained in the forward-looking statements due to a number of factors, including:

We have a history of operating losses, and we expect losses to continue for the foreseeable future;

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

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

We have sold no products or generated any product revenues and we do not anticipate any significant revenues to be generated in the foreseeable future;

Whether we are successful will be dependent, in part, upon the leadership provided by our management. If we were to lose the services of any of these individuals, our business and operations may be adversely affected;

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

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

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

Because we cannot predict whether or when we will obtain regulatory approval to commercialize our product candidates, we cannot predict the timing of any future revenue from these product candidates;

We may experience delays in our clinical trials that could adversely affect our financial results and our commercial prospects;

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

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

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

We do not have sales and marketing experience and our lack of experience may restrict our success in commercializing our product candidates;

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

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

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The sale of our common stock to Fusion Capital may cause dilution and the sale of the shares of common stock acquired by Fusion Capital could cause the price of our common stock to decline; and

Our common stock is and may remain subject to the SEC s Penny Stock rules, which may make our shares more difficult to sell.

You should also consider carefully the statements under Risk Factors and other sections of this prospectus, which address additional factors that could cause our actual results to differ from those set forth in the forward-looking statements and could materially and adversely affect our business, operating results and financial condition. All subsequent written and oral forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by the applicable cautionary statements.

The forward-looking statements speak only as of the date on which they are made, and, except to the extent required by federal securities laws, we undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which the statement is made or to reflect the occurrence of unanticipated events. In addition, we cannot assess the impact of each factor on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

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BUSINESS

GeoVax Labs, Inc. (GeoVax or the Company) is a clinical stage biotechnology company focused on developing human vaccines for diseases caused by Human Immunodeficiency Virus (HIV) and other infectious agents. We have exclusively licensed from Emory University certain Acquired Immune Deficiency Syndrome (AIDS) vaccine technology that was developed in collaboration with the National Institutes of Health and the Centers for Disease Control and Prevention.

Our primary business is conducted by our subsidiary, GeoVax, Inc., which was incorporated under the laws of Georgia in June 2001. The parent company, GeoVax Labs, Inc. (the reporting entity) was originally incorporated in June 1988 under the laws of Illinois as Dauphin Technology, Inc. (Dauphin). Dauphin was unsuccessful and its operations were terminated in December 2003. In September 2006, Dauphin completed a merger (the Merger) with GeoVax, Inc. 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 most of its officers and directors with those of GeoVax, Inc. and moved its offices to Atlanta, Georgia. Unless otherwise indicated, information for periods prior to the September 2006 merger is that of GeoVax, Inc. In June 2008, the Company was reincorporated under the laws of Delaware. We currently do not conduct any business other than GeoVax, Inc. s business of developing new products for the treatment or prevention of human diseases.

Overview of HIV/AIDS

What is HIV?

HIV (human immunodeficiency virus) is a retrovirus that carries its genetic code in the form of RNA (ribonucleic acid). Retroviruses use RNA and the reverse transcriptase enzyme to create DNA (deoxyribonucleic acid) from the RNA template. The HIV virus invades a human cell and produces its viral DNA which is subsequently inserted into the genetic material (chromosomes) of the cell. This infection converts helper T-cells (a type of white blood cell) from immunity producing cells into cells that produce and release HIV virus particles into the blood stream, destroying the immune defense system of the individual.

There are several AIDS-causing HIV-1 virus subtypes, or clades , that are found in different regions of the world. These subtypes are identified as subtype A, subtype B on through C, D, E, F, etc. The predominant subtype found in Europe, North America, South America, Japan and Australia is B whereas the predominant subtypes in Africa are A and C. In India, the predominant subtype is C. Each subtype is at least 20% different in its genetic sequence from other subtypes. These differences may mean that vaccines against one subtype may only be partially effective against other subtypes.

HIV-1, even within subtypes, has a high rate of variation or mutation. In drug treatment programs, virus mutation can result in virus escape, thereby rendering drug therapy ineffective. Hence, multi-drug therapy is very important. If several drugs are active against virus replication, the virus must undergo multiple simultaneous mutations to escape which is less likely. The same is true for immune responses. HIV-1 can escape single target immune responses. However, if an immune response is directed against multiple targets (epitopes), virus escape is much less frequent. Vaccination against more than one of the proteins found in HIV-1 increases the number of targets for the immune response as well as the chance that HIV-1 will not escape the vaccine-stimulated immune response, thus resulting in protection against clinical AIDS.

What is AIDS?

AIDS is the final, life-threatening stage of infection with the virus known as HIV-1. Infection with HIV-1 severely damages the immune system, the body s defense against disease. HIV-1 infects and gradually destroys T-cells and macrophages, which are white blood cells that play key roles in protecting humans against infectious disease caused by viruses, bacteria, fungi and other micro-organisms.

Opportunistic infections by organisms, normally posing no problem for control by a healthy immune system, can ravage persons with immune systems damaged by HIV-1 infections. Destruction of the immune system occurs over years; the average onset of the clinical disease recognized as AIDS occurs after 3-10 years of HIV-1 infection but can be earlier or later.

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AIDS in humans was first identified in the US in 1981, but researchers believe that it was present in Central Africa as early as 1959. AIDS is most often transmitted sexually from one person to another but it is also transmitted by blood in shared needles (drug users) and through pregnancy and childbirth. Heterosexual activity is the most frequent route of transmission worldwide.

The level of virus in blood (viral load) is the best indicator of the speed with which an individual will progress to AIDS, as well as the frequency with which an individual will spread infection. An estimated 1% or fewer of those infected have low enough levels of the virus to preclude progression to disease and to not transmit the infection. (These individuals are called long-term non-progressors.)

AIDS is considered by many in the scientific and medical community to be the most lethal infectious disease in the world. According to the 2007 Report on the Global AIDS Epidemic published by UNAIDS (the Joint United Nations Programme on HIV/AIDS), the total number of people living with HIV is 33.2 million globally with approximately 2.5 million newly infected in 2007 alone. Approximately 25 million people infected with HIV have died since the start of the HIV pandemic in 1981. According to International AIDS Vaccine Initiative (IAVI) in a model developed with Advanced Marketing Commitment (AMC) dated June 2005, the global market for a safe and effective AIDS vaccine is estimated at approximately $4 billion.

The standard approach to treating HIV infection has been to lower viral loads by using drugs, reverse transcriptase inhibitors (RTIs) and protease inhibitors (PIs), or a combination of these drugs, to inhibit two of the viral enzymes that are necessary for the virus to reproduce. However, HIV is prone to genetic changes that can produce strains of HIV that are resistant to currently approved RTIs and PIs. HIV that is resistant to one drug within a class can become resistant to the entire class, meaning that it may be impossible to re-establish suppression of a genetically altered strain by substituting different RTI and PI combinations. Furthermore, these treatments continue to have significant limitations, such as viral resistance, toxicity and patient non-adherence to the treatment regimens. As a result, over time, many patients develop intolerance to these medications or simply give up taking the medications due to the side effects.

According to the IAVI, the cost and complexity of new treatment advances for AIDS puts them out of reach for most people in the countries where treatment is needed the most and as noted above, in industrialized nations, where drugs are more readily available, side effects and increased rates of viral resistance have raised concerns about their long term use. AIDS vaccines, therefore, are seen by many as the most promising way to end the HIV/AIDS pandemic. It is expected that vaccines for HIV/AIDS, once developed, will be used internationally by organizations that provide health care services, including hospitals, medical clinics, the military, prisons and schools.

HIV/AIDS Vaccines Being Developed by the Company

Our vaccines were initially developed by Dr. Harriet Robinson at Emory University (Yerkes Primate Center) in collaboration with researchers at the United States National Institutes of Health (NIH) National Institute of Allergy and Infectious Disease (NIAID), and the United States Centers for Disease Control (CDC), and are based on a two-component approach using recombinant DNA (deoxyribonucleic acid) and MVA (Modified Vaccinia Ankara). Our focus is on developing vaccines comprising the major HIV-1 subtypes (A, B and C). These vaccines could be used alone or as combinations depending on a local infection. Subtype B is most common in North America, the European Union, Japan and Australia and is our first priority.

When properly administered in series, our vaccines induce strong cellular and humoral immunity against the two major HIV-1 proteins, Gag and Env. In non-human primate models vaccinations have been done in non-infected rhesus macaques to prevent the development of disease should they become infected (Preventative Vaccination) as well as in already infected rhesus macaques who are on drugs to allow control of virus in the absence of drugs (Therapeutic Vaccination). Both applications have met with success. The preventative immunizations have controlled both SHIV (chimeras of SIV and HIV virus) and SIV infections in rhesus macaques. The therapeutic vaccine, which has only been tested with SIV infections, is most effective when the vaccination regimen is initiated early after infection before extensive destruction of the immune system by the infection.

The GeoVax vaccine elicits both protective antibodies and protective T-cells. The protective antibodies do not neutralize (block infections) in cultured cells. However their avidity (tightness of binding) to the envelope glycoproteins (Env) of HIV correlates with the blunting of infections in challenge experiments in non-human

primates. This likely reflects tightly bound antibody initiating *in vivo* complement and Fc-receptor mediated

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mechanisms of virus and infected cell killing. The vaccine also has the potential to elicit anti-viral IgA in rectal secretions. The presence of anti-viral IgA in rectal secretions is associated with dampened infections in the rhesus macaque model. Protective CD8 T-cells recognize and kill cells that become infected by virus that has not been blocked by antibody. The presence of these cells is important to control virus that has established a chronic infection.

Our method of stimulating high antibody and T-cell responses in the vaccinated person is to combine DNA vaccine priming with a recombinant live virus vaccine boost. The boost we use is the attenuated smallpox vaccine, Modified Vaccinia Ankara (MVA). This prime/boost combination elicits protective immune responses in preclinical monkey models and holds high promise for eliciting responses that will protect humans against the development of HIV/AIDS.

DNA as the Priming Vaccine

Priming with GeoVax s HIV-1/DNA vaccine focuses the recipient s immune response on the HIV-1 components (proteins) expressed by the DNA. The proteins expressed by the DNA pose no known risk for infection because they comprise only part of the HIV virus. The DNA prime is followed by injection of GeoVax s HIV-1/MVA live virus vector booster which enhances the primed response in two ways by expressing larger amounts of antigen than can be achieved with DNA alone, and by the infection stimulating pro-inflammatory response that enhances immunity in the individual.

MVA Booster Vaccine

MVA was chosen as the poxvirus vector to boost immunity induced by the DNA priming vaccination because of its safety features and because of the excellent protective responses that it has stimulated in preclinical (non-human primate) models.

MVA was originally developed as a safe smallpox vaccine for use in immuno-compromised humans by further attenuating the standard smallpox vaccine. During this attenuation (loss of disease causing ability), MVA also lost essentially all of its ability to replicate in human cells. The attenuation was accomplished by making over 500 passages of the virus in chicken embryos or chick embryo fibroblasts (CEF). During passage, the virus underwent 6 large genomic deletions. These deletions affected the ability of MVA to replicate and cause safety problems in humans, but did not compromise the ability of MVA to grow on avian cells that are required for manufacturing the virus.

The effectiveness of MVA as a vaccine vector is also accounted for by its loss of immune evasion genes during its passages in CEF cells. During the years of the dreaded human smallpox epidemics these immune evasion genes assisted the spread of smallpox infections, even in the presence of human immune responses.

MVA was safely administered to over 120,000 people in the 1970 s to protect them against smallpox. With the advent of bioterrorism, our choice of the MVA vector becomes even more important, because of its potential for immunization for smallpox. GeoVax HIV vaccines may serve as both an HIV and a smallpox vaccine.

GeoVax s DNA and MVA vaccines express over 66% of the AIDS virus (HIV-1) protein components in order to stimulate a broad anti-HIV immune response. The vaccines cannot cause AIDS because they do not include the complete virus. We believe that the vaccines could provide multi-target protection against the AIDS virus, thus largely limiting virus escape, large scale viral replication and the onset of clinical signs of AIDS in the vaccinated individual.

Preclinical Studies

During the development of our vaccine, multiple efficacy trials were conducted in non-human primates. These trials have shown the ability of the vaccine to provide protection in a variety of non-human primate challenge models. The best protection has been achieved against chimeras of simian and human immunodeficiency virus (SHIVs) where infections have been reduced to the level of detection for the duration of the experiment (42 months). Less complete protection has been achieved against simian immunodeficiency virus (SIVs) where protection has been associated with 10 to 100-fold drops in levels of virus in the blood. In both of these models, protection has been associated with the avidity of the anti-Env antibody response and the presence of anti-viral IgA in mucosal

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secretions. CD8 T-cells have been important for controlling the low levels of chronic infection in the vaccinated and challenged animals.

Following these animal trials, our vaccines were approved for Phase 1 trials in humans by the U.S. Food and Drug Administration (FDA). This preclinical work enabling development of the clinical evaluation of our DNA and MVA vaccines was funded and supported by the NIAID. See Government Regulation below for an explanation of how clinical trials are conducted.

Phase 1 Human Clinical Trials (Preventative Vaccine)

All of our human trials to date have been conducted by the HIV Vaccine Trials Network (HVTN), a network that is funded and supported by the U.S. National Institutes of Health. The HVTN is the largest worldwide clinical trials program for the development and testing of HIV/AIDS vaccines. The vaccine that has been tested in these trials is a vaccine directed against the clade B infections that are endemic in the developed world.

Our first Phase 1 trial (HVTN 045) tested DNA-alone for its safety and immunogenicity. Our second series of trials combined DNA priming with MVA boosting and tested (i) 1/10th dose as well as (ii) anticipated full dose regimens which consisted of two DNA primes and two MVA boosts, (iii) a full dose regimen of one DNA prime and two MVA boosts, and (iv) a full dose regimen of priming and boosting with MVA. Based on the safety and the immunogenicity results in these trials, two full dose DNA primes followed by two full dose MVA boosts are being taken forward into a Phase 2a trial. Over 80 vaccine testing protocols have entered Phase 1 testing in the HVTN. Of these protocols, only 5 (including GeoVax s) have progressed to Phase 2 trials since 1992.

Phase 2 Human Clinical Trials (Preventative Vaccine)

Due to the promising positive human vaccine response data from our Phase 1 trials, the HVTN proceeded with plans for the next phase of human clinical testing and patient enrollment commenced in February 2009. This Phase 2a human clinical trial will enroll 225 participants, 150 of which will receive vaccine and 75 of which will receive placebo. The goal of the trial is to obtain additional safety and immunogenicity data from uses in low risk individuals to build a sufficient foundation of data to progress to a Phase 2b proof of concept trial in high risk individuals. Trial participants will first be administered a GeoVax HIV-1 DNA vaccine followed by a boost with GeoVax s HIV-1 MVA vaccine. The trial will be conducted in thirteen sites across North and South America. We expect this trial may take 18-24 months to complete.

Planned Human Clinical Trials (Therapeutic Vaccine)

In July 2008, we reported summary data from a pilot study on therapeutic vaccination in simian immunodeficiency virus (SIV) infected non-human primates with the SIV prototype of our HIV/AIDS vaccine. In this small pilot study, conducted at Emory University (Yerkes Primate Center), two non-human primates were infected with SIV. Data from the study revealed highly promising results with the vaccine controlling the infection with reduction in viral levels of from 100 to 1000 times. The excellent control of the virus infection in the absence of drug treatment was associated with the vaccine raising the types of CD4 and CD8 T-cells that are found in the rare individuals who spontaneously control their HIV infections. Based on these results, we have begun planning for a therapeutic trial in humans already infected with the HIV virus. The intent of therapeutic vaccination will be to control HIV virus levels in infected individuals to very low levels thus blocking the development of AIDS. We expect to initiate human clinical studies for a therapeutic vaccine during the second half of 2009.

Support from the Federal Government

All of our Phase 1 human clinical trials (preventative vaccine) to date, and our recently initiated Phase 2a trial, have been conducted by, and at the expense of, the HIV Vaccine Trials Network (HVTN), a division of the National Institutes of Health-National Institute of Allergy & Infectious Disease (NIH-NIAID). Our responsibility for these trials has been to provide sufficient supplies of vaccine materials and technical expertise when necessary. The HVTN is also planning to conduct our planned Phase 2 human clinical trials.

In September 2007, we were awarded an Integrated Preclinical/Clinical AIDS Vaccine Development (IPCAVD) Grant by the NIH-NIAID to support our HIV/AIDS vaccine program. The project period for the grant covers a five-year period that commenced October 2007, with an expected annual award of between $3 and $4 million per year (approximately $17 million in the aggregate). The grant is subject to annual renewal with the latest

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grant award covering the period from September 2008 through August 2009. Only meritorious HIV/AIDS prevention vaccine candidates are considered to receive an IPCAVD award. Candidate companies are highly scrutinized and must supply substantial positive AIDS vaccine data to support their application. IPCAVD grants are awarded on a competitive basis and are designed to support later stage vaccine research, development and human trials. We are utilizing this funding to further our HIV/AIDS vaccine development, optimization, production and human clinical trial testing.

Government Regulation

Regulation by governmental authorities in the United States and other countries is a significant factor in our ongoing research and development activities and in the manufacture of our products under development. Complying with these regulations involves a considerable amount of time and expense.

In the United States, drugs are subject to rigorous federal and state regulation. The Federal Food, Drug and Cosmetic Act, as amended (the FDC Act), and the regulations promulgated thereunder, and other federal and state statutes and regulations govern, among other things, the testing, manufacture, safety, efficacy, labeling, storage, record keeping, approval, advertising and promotion of medications and medical devices. Product development and approval within this regulatory framework is difficult to predict, takes a number of years and involves great expense.

The steps required before a pharmaceutical agent may be marketed in the United States include:

pre-clinical laboratory tests, in vivo pre-clinical studies and formulation studies;

the submission to the FDA of an Investigational New Drug Application (IND) for human clinical testing which must become effective before human clinical trials can commence;

adequate and well-controlled human clinical trials to establish the safety and efficacy of the product;

the submission of a New Drug Application to the FDA; and

FDA approval of the New Drug Application prior to any commercial sale or shipment of the product.

Each of these steps is described further below.

In addition to obtaining FDA approval for each product, each domestic manufacturing establishment must be registered with, and approved by, the FDA. Domestic manufacturing establishments are subject to biennial inspections by the FDA and must comply with the FDA s Good Manufacturing Practices for products, drugs and devices.

Pre-clinical Trials

Pre-clinical testing includes laboratory evaluation of chemistry and formulation, as well as cell culture and animal studies to assess the potential safety and efficacy of the product. Pre-clinical safety tests must be conducted by laboratories that comply with FDA regulations regarding Good Laboratory Practices. The results of pre-clinical testing are submitted to the FDA as part of the IND application and are reviewed by the FDA prior to the commencement of human clinical trials. Unless the FDA objects to an IND, the IND becomes effective 30 days following its receipt by the FDA.

Clinical Trials

Clinical trials involve the administration of the AIDS vaccines to healthy volunteers or to patients under the supervision of a qualified principal investigator. Clinical trials are conducted in accordance with the FDA s Good Clinical Practices standard under protocols that detail the objectives of the study, the parameters to be used to monitor safety and the efficacy criteria to be evaluated. Each protocol must be submitted to the FDA as part of the IND. Further, each clinical study must be conducted under the auspices of an independent institutional review board

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at the institution where the study will be conducted. The institutional review board will consider, among other things, ethical factors, the safety of human subjects and the possible liability of the institution.

Clinical trials are typically conducted in three sequential phases, but the phases may overlap. In Phase I, the initial introduction of the product into healthy human subjects, the vaccine is tested for safety (adverse side effects) and dosage tolerance. Phase II is the proof of principal stage and involves studies in a limited patient population in order to determine the efficacy of the product for specific, targeted indications, determine dosage tolerance and optimal dosage and identify possible adverse side effects and safety risks. When there is evidence that the product may be effective and has an acceptable safety profile in Phase II evaluations, Phase III trials are undertaken to further evaluate clinical efficacy and to test for safety within an expanded patient population at geographically dispersed multi-center clinical study sites. The manufacturer or the FDA may suspend clinical trials at any time if either believes that the individuals participating in the trials are being exposed to unacceptable health risks.

New Drug Application and FDA Approval Process

The results and details of the pre-clinical studies and clinical studies are submitted to the FDA in the form of a New Drug Application. If the New Drug Application is approved, the manufacturer may market the product in the United States.

International Approval

Whether or not the FDA has approved the drug, approval of a product by regulatory authorities in foreign countries must be obtained prior to the commencement of commercial sales of the drug in such countries. The requirements governing the conduct of clinical trials and drug approvals vary widely from country to country, and the time required for approval may be longer or shorter than that required for FDA approval.

Other Regulations

In addition to FDA regulations, our business activities may also be regulated by the Occupational Safety and Health Act, the Environmental Protection Act, the Toxic Substances Control Act, the Resource Conservation and Recovery Act and other present and potential future federal, state or local regulations. Violations of regulatory requirements at any stage may result in various adverse consequences, including regulatory delay in approving or refusal to approve a product, enforcement actions, including withdrawal of approval, labeling restrictions, seizure of products, fines, injunctions and/or civil or criminal penalties. Any product that we develop must receive all relevant regulatory approvals or clearances before it may be marketed.

Competition

There currently is no FDA licensed and commercialized AIDS vaccine or competitive vaccine available in the world market.

There are several small and large biopharmaceutical companies pursuing HIV/AIDS vaccine research and development, including Merck, Novartis, Wyeth, Sanofi-Aventis, Glaxo-Smith Kline and the United States National Institutes of Health (NIH) Vaccine Research Center (VRC). Other HIV/AIDS vaccines are in varying stages of research, testing and clinical trials including those supported by the International AIDS Vaccine Initiative (IAVI), the European Vaccine Initiative (EuroVac), and the South African AIDS Vaccine Initiative (SAAVI), as well as others. To our knowledge, none of our competitors products have, to date, demonstrated in large scale non-human primate trials the level of protection and duration of protection for a SHIV challenge that have been elicited by GeoVax s vaccines. Furthermore, many competitor vaccine development programs require vaccine compositions which are much more complicated than ours. For these reasons, we believe that it may be possible for our vaccine to compete successfully in the marketplace if it is approved for sale.

Overall, the biopharmaceutical industry is competitive and subject to rapid and substantial technological change. Developments by others may render our proposed vaccination technologies noncompetitive or obsolete, or we may be unable to keep pace with technological developments or other market factors. Technological competition in the industry from pharmaceutical and biotechnology companies, universities, governmental entities and others diversifying into the field is intense and is expected to increase. Many of the pharmaceutical companies that compete with us have significantly greater research and development capabilities than we have, as well as substantially more marketing, manufacturing, and financial resources. In addition, acquisitions of, or investments in,

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small pharmaceutical or biotechnology companies by such large corporations could increase their research, financial, marketing, manufacturing and other resources. Competitor technologies may ultimately prove to be safer, more effective or less costly than any vaccine that we develop.

FDA and other regulatory approvals of our vaccines have not yet been obtained and we have not yet generated any revenues from product sales. Our future competitive position depends on our ability to obtain FDA and other regulatory approvals of our vaccines and to license or sell the vaccines to third parties on favorable terms.

Intellectual Property

We will be able to protect our proprietary rights from unauthorized use by third parties only to the extent that our proprietary rights are described by valid and enforceable patents or are effectively maintained as trade secrets. Accordingly, we are pursuing and will continue to pursue patent protection for our proprietary technologies developed through our collaboration between Emory University, the NIH, and the CDC, or developed by us alone. Patent applications have been filed with the United States Patent and Trademark Office and in specific international markets (countries). Patent applications include provisions to cover our DNA and MVA based AIDS vaccines, their genetic inserts expressing multiple HIV protein components, composition, structure, claim of immunization against multiple subtypes of HIV, routes of administration, safety and other related factors. Patent claims filed for our vaccines include provisions for protection against two diseases: HIV/AIDS and smallpox.

We are the exclusive, worldwide licensee of a number of patents and patent applications (the Emory Technology) owned, licensed or otherwise controlled by Emory University (Emory) for HIV and smallpox vaccines pursuant to a License Agreement originally entered into on August 23, 2002 and restated on June 23, 2004 (the Emory License). Through the Emory License we are also a non-exclusive licensee of patents owned by the NIH related to the ability of our MVA vector vaccine as a vehicle to deliver HIV virus antigens, and also to induce an immune response in humans. Currently, there are four issued patents and six pending patent applications in the United States subject to the Emory License, as well as two issued patents and 26 pending patent applications in other countries. The 4 issued patents expire in 2026. The Emory License expires on the expiration date of the last to expire of the patents licensed thereunder including those that are issued on patents pending; we will therefore not know the final termination date of the Emory License until such patents are issued.

We may not use the Emory Technology for any purpose other than the purposes permitted by the Emory License. Emory also reserved the right to use the Emory Technology for research, educational and non-commercial clinical purposes. Due to the use of federal funds in the development of the Emory Technology, the United States Government has the irrevocable, royalty-free, paid-up right to practice and have practiced certain patents throughout the world, should it choose to exercise such rights.

We are also the exclusive licensee of five patents from MFD, Inc. (the MFD Patents) pursuant to a license agreement dated December 26, 2004 (the MFD License Agreement), related to certain manufacturing processes used in the production of our vaccines. Pursuant to the MFD License Agreement, we obtained a fully paid, worldwide, irrevocable, exclusive license in and to the MFD Patents to use, market, offer for sale, sell, lease and import for any AIDS and smallpox vaccine made with GeoVax technology and non-exclusive rights for other products. The term of the MFD License Agreement ends on the expiration date of the last to expire of the MFD Patents. These patents expire in 2017 through 2019.

In addition to patent protection, we also attempt to protect our proprietary products, processes and other information by relying on trade secrets and non-disclosure agreements with our employees, consultants and certain other persons who have access to such products, processes and information. Under the agreements, all inventions conceived by employees are our exclusive property. Nevertheless, there can be no assurance that these agreements will afford significant protection against misappropriation or unauthorized disclosure of our trade secrets and confidential information.

We cannot be certain that any of the current pending patent applications we have licensed, or any new patent applications we may file or license, will ever be issued in the United States or any other country. Even if issued, there can be no assurance that those patents will be sufficiently broad to prevent others from using our products or processes. Furthermore, our patents, as well as those we have licensed or may license in the future, may be held invalid or unenforceable by a court, or third parties could obtain patents that we would need to either license or to

design around, which we may be unable to do. Current and future competitors may have licensed or filed

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patent applications or received patents, and may acquire additional patents and proprietary rights relating to products or processes competitive with ours.

We are not a party to any litigation, opposition, interference, or other potentially adverse proceeding with regard to our patent positions. However, if we become involved in litigation, interference proceedings, oppositions or other intellectual property proceedings, for example as a result of an alleged infringement, or a third-party alleging an earlier date of invention, we may have to spend significant amounts of money and time and, in the event of an adverse ruling, we could be subject to liability for damages, invalidation of our intellectual property and injunctive relief that could prevent us from using technologies or developing products, any of which could have a significant adverse effect on our business financial condition and results of operation. In addition, any claims relating to the infringement of third-party proprietary rights, or earlier date of invention, even if not meritorious, could result in costly litigation, lengthy governmental proceedings, divert management s attention and resources and require us to enter royalty or license agreements which are not advantageous if available at all.

Manufacturing

We do not have the facilities or expertise to manufacture any of the clinical or commercial supplies of any of our products, and we have relied on third party contract manufacturers to produce our vaccine components used in our preclinical and clinical trials to date. To be successful, our products must be manufactured in commercial quantities in compliance with regulatory requirements and at an acceptable cost. To date, we have not commercialized any products, nor have we demonstrated that we can manufacture commercial quantities of our product candidates in accordance with regulatory requirements. If we cannot manufacture products in suitable quantities and in accordance with regulatory standards, either on our own or through contracts with third parties, it may delay clinical trials, regulatory approvals and marketing efforts for such products. Such delays could adversely affect our competitive position and our chances of achieving profitability. We cannot be sure that we can manufacture, either on our own or through contracts with third parties, such products at a cost or in quantities which are commercially viable.

We currently rely and intend to continue to rely on third-party contract manufacturers to produce vaccines needed for research and clinical trials. We have entered into arrangements with third party manufacturers for the supply of our DNA and MVA vaccines for use in our planned clinical trials. These suppliers operate under current Good Manufacturing Practice and guidelines established by the FDA and the European Medicines Agency. We anticipate that these suppliers will be able to provide sufficient vaccine supplies to complete our currently planned clinical trials. Various contractors are generally available in the United States and Europe for manufacture of vaccines for clinical trial evaluation, however, it may be difficult to replace existing contractors for certain manufacturing and testing activities and costs for contracted services may increase substantially if we switch to other contractors.

In July 2008, we signed a letter of intent with Vivalis S.A., a French biopharmaceutical company, for joint collaboration and license of Vivalis proprietary EBx® technology. The letter of intent contemplates development of a process using the EBx® technology to manufacture the MVA component of the GeoVax HIV-1 vaccine. Vivalis vaccine manufacturing technology is based on a duck embryonic stem cell substrate platform, providing continuous growth from a fully characterized frozen cell bank without necessitating fertilized embryo extraction and processing, as with present chicken cell based technologies. Furthermore, the EB66® cell line can be grown in suspension (without the cells attached to the surface of the growth vessel) and can be scaled up for growth in giant bioreactors (a cutting edge industrial method) for large scale production of the MVA viral vaccine. We expect the final agreement with Vivalis to be executed during the third quarter of 2009. Successful development of a manufacturing process for the MVA component of our vaccine using Vivalis technology would enhance our ability to manufacture the vaccine in large, economical commercial quantities.

Research and Development

Our expenditures for research and development activities were approximately $3,741,000, $1,757,000 and $666,000 during the years ended December 31, 2008, 2007 and 2006, respectively. As our vaccines continue to go through the process to obtain regulatory approval, we expect our research and development costs to continue to increase significantly as even larger human trials proceed in the United States and foreign countries. We have not yet formulated any plans for marketing and sales of any vaccine candidate we may successfully develop. Compliance with environmental protection laws and regulations has not had a material effect on our capital expenditures, earnings or

competitive position.

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Properties

We lease approximately 3,000 square feet of office and laboratory space located at 1256 Briarcliff Road, Emtech Bio Suite 500, Atlanta, Georgia under a month-to-month lease agreement with Emtech Biotechnology Development, Inc., a related party associated with Emory University. We also share the lease expense for office space in the Chicago area for one of our officers and directors, but we are not obligated under the lease.

Legal Proceedings

We are not currently a party to any material legal proceedings. We may from time to time become involved in various legal proceedings arising in the ordinary course of business.

Employees

As of April 29, 2009, we had eleven employees. None of our employees are covered by collective bargaining agreements and we believe that our employee relations are good.

Available Information

Our website address is www.geovax.com. We make available on this website under Investors SEC Reports, free of charge, our proxy statements, annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports as soon as reasonably practicable after we electronically file or furnish such materials to the U.S. Securities and Exchange Commission (SEC). We also make available on this website under the heading Investors Corporate Governance our Code of Ethics.

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MARKET FOR REGISTRANT S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Market Information

Our common stock is currently traded on the over-the-counter bulletin board market under the symbol GOVX . The following table sets forth the high and low bid prices for our common stock for the periods indicated. The prices represent quotations between dealers and do not include retail mark-up, markdown, or commission, and do not necessarily represent actual transactions:

		High	Low
2009			
	First Quarter	$0.20	$0.09
2008			
	Fourth Quarter	0.20	0.09
	Third Quarter	0.20	0.13
	Second Quarter	0.29	0.12
	First Quarter	0.19	0.11
2007			
	Fourth Quarter	0.36	0.16
	Third Quarter	0.42	0.25
	Second Quarter	0.38	0.22
	First Quarter	0.66	0.18

On May 12, 2009, the last reported sale price of our common stock on the over-the-counter bulletin board was $0.24 per share.

Holders

On April 20, 2009, there were approximately 1,400 holders of record of our common stock. The number of record holders does not reflect the number of beneficial owners of our common stock for whom shares are held by brokerage firms and other institutions.

Dividends

We have not paid any dividends since our inception and do not contemplate paying dividends in the foreseeable future.

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SELECTED FINANCIAL DATA

The following selected financial data are derived from our audited consolidated financial statements and interim unaudited consolidated financial statements for the periods and at the dates indicated below. The historical results presented below are not necessarily indicative of the results to be expected for any future period. You should read the information set forth below in conjunction with the information contained below in Management s Discussion and Analysis of Financial Condition and Results of Operations , and our consolidated financial statements and the related notes, beginning on page F-1 of this prospectus.

	Three Months Ended March 31,		Year Ended December 31,				
	2009	2008	2008	2007	2006	2005	2004
Statement of Operations Data:							
Total revenues (grant income)	$ 710,155	$ 599,991	$ 2,910,170	$ 237,004	$ 852,905	$ 670,467	$ 714,852
Net loss	(861,509)	(682,510)	(3,728,187)	(4,241,796)	(584,166)	(1,611,086)	(2,351,828)
Basic and diluted net loss per common share	(0.00)	(0.00)	(0.01)	(0.01)	(0.00)	(0.01)	(0.01)

	Three Months Ended March 31,		As of December 31,				
	2009	2008	2008	2007	2006	2005	2004
Balance Sheet Data:							
Total assets	$2,769,423	$2,527,370	$3,056,241	$3,246,404	$2,396,330	$1,685,218	$1,870,089
Redeemable convertible preferred stock						1,016,555	938,475
Total stockholders equity (deficit)	$2,477,130	$2,392,702	2,709,819	2,647,866	2,203,216	(500,583)	(389,497)

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MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations should be read together with the discussion under Selected Financial Data and our consolidated financial statements included in this prospectus. This discussion contains forward-looking statements that involve risks and uncertainties because they are based on current expectations and relate to future events and our future financial performance. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of many important factors, including those set forth under Risk Factors and elsewhere in this prospectus.

Overview

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

Our HIV vaccine candidates have successfully completed preclinical efficacy testing in non-human primates and Phase 1 clinical testing trials in humans. A Phase 2a human clinical trial for our preventative HIV vaccine candidate was initiated during the fourth quarter of 2008, and patient enrollment commenced in February 2009. The costs of conducting our human clinical trials to date have been borne by the HIV Vaccine Trials Network (HVTN), funded by the NIH, with GeoVax incurring costs associated with manufacturing the clinical vaccine supplies and other study support. HVTN will also bear the cost of conducting our Phase 2a human clinical study, but we cannot predict the level of support we will receive from HVTN for any additional clinical studies. Our operations are also partially supported by an Integrated Preclinical/Clinical AIDS Vaccine Development (IPCAVD) Grant from the NIH. The project period for the grant covers a five year period which commenced October 2007, with an expected annual award of between $3-4 million per year (approximately $17 million in the aggregate). The grant is subject to annual renewal, with the latest grant award covering the period from September 2008 through August 2009. We intend to pursue additional grants from the federal government, however, as we progress to the later stages of our vaccine development activities, government financial support may be more difficult to obtain, or may not be available at all. It will, therefore, be necessary for us to look to other sources of funding in order to finance our development activities.

We anticipate incurring additional losses for several years as we expand our drug development and clinical programs and proceed into higher cost human clinical trials. Conducting clinical trials for our vaccine candidates in development is a lengthy, time-consuming and expensive process. We do not expect to generate product sales from our development efforts for several years. If we are unable to successfully develop and market pharmaceutical products over the next several years, our business, financial condition and results of operations will be adversely impacted.

Critical Accounting Policies and Estimates

Management s discussion and analysis of our financial condition and results of operations is based on our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an ongoing basis, management evaluates its estimates and adjusts the estimates as necessary. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ materially from these estimates under different assumptions or conditions.

Our significant accounting policies are summarized in Note 2 to our consolidated financial statements for the year ended December 31, 2008. We believe the following critical accounting policies affect our more significant judgments and estimates used in the preparation of our consolidated financial statements:

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

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

Stock-Based Compensation. Effective January 1, 2006, we adopted Financial Accounting Standards Board (FASB) Statement of Financial Accounting Standards No. 123 (revised 2004), Share-Based Payments (SFAS 123R), which requires the measurement and recognition of compensation expense for all share-based payments made to employees and directors based on estimated fair values on the grant date. SFAS 123R replaces SFAS 123, Accounting for Stock-Based Compensation, and supersedes Accounting Principles Board (APB) Opinion No. 25, Accounting for Stock Issued to Employees. We adopted SFAS 123R using the prospective application method which requires us to apply the provisions of SFAS 123R prospectively to new awards and to awards modified, repurchased or cancelled after December 31, 2005. Awards granted after December 31, 2005 are valued at fair value in accordance with the provisions of SFAS 123R and recognized on a straight line basis over the service periods of each award.

Liquidity and Capital Resources

At March 31, 2009, we had cash and cash equivalents of $1,970,971, as compared to $2,191,180 and $1,990,356 at December 31, 2008 and December 31, 2007, respectively. Working capital totaled $2,237,473 at March 31, 2009, compared to $2,455,412 and $2,432,276 at December 31, 2008 and December 31, 2007, respectively.

Sources and Uses of Cash. We are a development-stage company and do not have any products approved for sale. Due to our significant research and development expenditures, we have not been profitable and have generated operating losses since our inception in 2001. Our primary sources of cash are from sales of our equity securities and from government grant funding.

Cash Flows from Operating Activities. Net cash used in operating activities was $460,209 and $764,971 for the three month periods ended March 31, 2009 and 2008, respectively. Net cash used in operating activities was $2,367,886, $3,265,743 and $1,327,941 for the years ended December 31, 2008, 2007 and 2006, respectively. Generally, the differences between years are due to fluctuations in our net losses which, in turn, result from fluctuations in expenditures from our research activities, offset by net changes in our assets and liabilities.

In September 2007, the NIH awarded us an Integrated Preclinical/Clinical AIDS Vaccine Development (IPCAVD) grant to support our HIV/AIDS vaccine program. The project period for the grant, which is renewable annually, covers a five year period which commenced October 2007, with an expected annual award of between $3and$4 million per year (approximately $17 million in the aggregate). We are utilizing this funding to further our HIV/AIDS vaccine development, optimization, and production for human clinical trial testing. The funding we receive pursuant to this grant is recorded as revenue at the time the related expenditures are incurred, and thus partially offsets our net losses.

Cash Flows from Investing Activities. Our investing activities have consisted predominantly of capital expenditures. Capital expenditures for the three month periods ended March 31, 2009 and 2008 were $-0- and $2,238, respectively. Capital expenditures for the years ended December 31, 2008, 2007 and 2006, were $99,831, $-0-, and $69,466, respectively.

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Cash Flows from Financing Activities. Net cash provided by financing activities was $240,000 and $897,450 for the three month periods ended March 31, 2009 and 2008, respectively. Net cash provided by financing activities was $2,668,541, $3,167,950 and $2,212,849 for the years ended December 31, 2008, 2007 and 2006, respectively. The cash generated by our financing activities generally relates to the sale of our common stock to individual accredited investors and to Fusion Capital, offset by costs associated with our financing arrangement with Fusion Capital (see below).

In May 2008, we signed the Purchase Agreement with Fusion Capital which provides for the sale of up to $10 million of shares of our common stock. In connection with this agreement, we filed a registration statement related to the transaction with the SEC covering the shares that have been issued or may be issued to Fusion Capital under the Purchase Agreement. The SEC declared effective the registration statement on July 1, 2008, and we now have the right until July 1, 2010 to sell our shares of common stock to Fusion Capital from time to time in amounts ranging from $80,000 to $1 million per purchase transaction, depending on certain conditions as set forth in the Purchase Agreement. During 2008, we received $500,000 from the sale of 3,709,964 shares of our common stock to Fusion Capital pursuant to this arrangement. From January 1 through April 30, 2009, we have received $420,000 from the sale of 4,250,453 shares of our common stock to Fusion Capital.

We believe that our current working capital, combined with the proceeds from the IPCAVD grant awarded annually from the NIH and our anticipated use of the Purchase Agreement with Fusion Capital, will be sufficient to support our planned level of operations at least through March 31, 2010. The extent to which we rely on the Fusion Capital Purchase Agreement as a source of funding will depend on a number of factors, including the prevailing market price of our common stock and the extent to which we can secure working capital from other sources if we choose to seek such other sources. Even if we are able to access the remainder of the full $10 million under the Fusion Capital Purchase Agreement, we may still need additional capital to fully implement our business, operating and development plans. Should the financing we require to sustain our working capital needs be unavailable or prohibitively expensive when we require it, the consequences could be a material adverse effect on our business, operating results, financial condition and prospects. While we believe that we will be successful in obtaining the necessary financing to fund our operations through the Fusion Capital Purchase Agreement or through other sources, there can be no assurances that such additional funding will be available to us on reasonable terms or at all.

Our capital requirements, particularly as they relate to product research and development, have been and will continue to be significant. We intend to seek FDA approval of our products, which may take several years. We will not generate revenues from the sale of our products for at least several years, if at all. We will be dependent on obtaining financing from third parties in order to maintain our operations, including our clinical program. Due to the existing uncertainty in the capital and credit markets, and adverse regional and national economic conditions which may persist or worsen, capital may not be available on terms acceptable to the Company or at all. If we fail to obtain additional funding when needed, we would be forced to scale back or terminate our operations, or to seek to merge with or to be acquired by another company.

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

Contractual Obligations

As of March 31, 2009 and December 31, 2008, we had approximately $298,800 and $203,000, respectively, of unrecorded contractual commitments associated with our vaccine manufacturing activities, for services expected to be rendered to us during 2009. As of that date, we had no other firm purchase obligations or commitments for capital expenditures, no committed lines of credit or other committed funding or long-term debt, and no lease obligations (operating or capital). We have employment agreements with our senior management team, each of which may be terminated with 30 days advance notice. We have no other contractual obligations, with the exception of commitments which are contingent upon the occurrence of future events.

In July 2008, we signed a non-binding letter of intent for a joint collaboration and commercial license for the use of vaccine manufacturing technology owned by Vivalis S.A., a French biopharmaceutical company. Subsequent to the signing of the letter of intent, we paid a signing fee of approximately $241,000 to Vivalis, and upon execution of the final license agreement (expected to occur during the third quarter of 2009), we will incur a commitment of

approximately $900,000 as our contribution to the joint development effort in 2009 and early 2010.

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As the development milestone fees are denominated in Euros, this estimate of our financial commitment is based on current exchange rates; the actual amounts will be greater or lesser, depending on the actual exchange rates at the time of each milestone achievement.

Net Operating Loss Carryforward

At December 31, 2008, we had consolidated net operating loss carryforwards for income tax purposes of approximately $70 million, which will expire in 2010 through 2028 if not utilized. Approximately $59.7 million of our net operating loss carryforwards relate to the operations of the Company (Dauphin Technology, Inc.) prior to the Merger. We also have research and development tax credits of $355,000 available to reduce income taxes, if any, which will expire in 2022 through 2027 if not utilized. The amount of net operating loss carryforwards and research tax credits available to reduce income taxes in any particular year may be limited in certain circumstances. Based on an assessment of all available evidence including, but not limited to, our limited operating history in our core business and lack of profitability, uncertainties of the commercial viability of our technology, the impact of government regulation and healthcare reform initiatives, and other risks normally associated with biotechnology companies, we have concluded that it is more likely than not that these net operating loss carryforwards and credits will not be realized and, as a result, a 100% deferred tax valuation allowance has been recorded against these assets.

Results of Operations Three month periods ended March 31, 2009 and 2008

Net Loss

We recorded a net loss of $861,509 for the three months ended March 31, 2009 as compared to $682,510 for the three months ended March 31, 2008. Our operating results will typically fluctuate due to the timing of activities and related costs associated with our vaccine research and development activities and our general and administrative costs, as described in more detail below.

Grant Revenue

We recorded grant revenues of $710,155 and $599,991 during the three month periods ended March 31, 2009 and 2008, respectively. During 2007, we were awarded an Integrated Preclinical/Clinical AIDS Vaccine Development (IPCAVD) grant by the NIH to support our HIV/AIDS vaccine program. The project period for the grant, which is renewable annually, covers a five year period which commenced October 2007, with an expected annual award of between $3 to $4 million per year (approximately $17 million in the aggregate). We are utilizing this funding to further our HIV/AIDS vaccine development, optimization and production. The grant is subject to annual renewal, with the latest grant award covering the period from September 2008 through August 2009. As of March 31, 2009, there is approximately $2.4 million remaining from the current grant year s award. Assuming that the remaining budgeted amounts under the grant are awarded annually to the Company, there is an additional $11.1 million available through the grant for the remainder of the original five year project period (ending August 31, 2012).

Research and Development

Our research and development expenses were $857,236 and $603,478 during the three month periods ended March 31, 2009 and 2008, respectively. Research and development expenses vary considerably on a period-to-period basis, depending on our need for vaccine manufacturing and testing of manufactured vaccine by third parties, and due to fluctuations in the timing of other external expenditures related to the NIH grant. Research and development expense includes stock-based compensation expense of $85,439 and $37,917 and for the 2009 and 2008 periods respectively (see discussion below). Our recently initiated Phase 2a clinical trial will be conducted and funded by the HVTN, but we are responsible for the manufacture of vaccine product to be used in the trial. We cannot predict the level of support we may receive from HVTN or other federal agencies (or divisions thereof) for our future clinical trials. We expect that our research and development costs will continue to increase in 2009 and beyond as we progress through the human clinical trial process leading up to possible product approval by the FDA.

In July 2008, we signed a letter of intent with Vivalis S.A., a French biopharmaceutical company, for joint collaboration and license of Vivalis proprietary EBx® technology. The letter of intent contemplates development of a process using the EBx® technology to manufacture the MVA component of the GeoVax HIV-1 vaccine. Vivalis vaccine manufacturing technology is based on a duck embryonic stem cell substrate platform, providing continuous growth from a fully characterized frozen cell bank without necessitating fertilized embryo extraction and processing, as with present chicken cell based technologies. Furthermore, the EB66® cell line can be grown in

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suspension (without the cells attached to the surface of the growth vessel) and can be scaled up for growth in giant bioreactors (a cutting edge industrial method) for large scale production of the MVA viral vaccine. We expect the final agreement with Vivalis to be executed during the third quarter of 2009. After execution of this agreement, we expect to incur between $1.5 and $2.0 million in costs associated with development of this vaccine manufacturing technology during 2009 and early 2010.

General and Administrative Expense

During the three month period ended March 31, 2009, we incurred general and administrative costs of $723,815, as compared to $705,642 during the three month period ended March 31, 2008. General and administrative costs include officers salaries, legal and accounting costs, patent costs, amortization expense associated with intangible assets, and other general corporate expenses. General and administrative expense also includes stock-based compensation expense of $303,381 and $360,679 and for the 2009 and 2008 periods respectively (see discussion below). We expect that our general and administrative costs will increase in the future in support of expanded research and development activities.

Stock-Based Compensation Expense

During the three month periods ended March 31, 2009 and 2008, we recorded total stock-based compensation expense of $388,820 and $398,596, respectively, which is included in research and development expense, or general and administrative expense according to the classification of cash compensation paid to our employees, directors or consultants to whom the stock compensation awards were granted. Stock-based compensation expense is calculated and recorded in accordance with the provisions of SFAS 123R. We adopted SFAS 123R using the prospective application method which requires us to apply its provisions prospectively to new awards and to awards modified, repurchased or cancelled after December 31, 2005. Awards granted after December 31, 2005 are valued at fair value in accordance with the provisions of SFAS 123R and recognized on a straight line basis over the service periods of each award. As of March 31, 2009, there was $1,461,503 of unrecognized compensation expense related to stock-based compensation arrangements.

Other Income

Interest income for the three month periods ended March 31, 2009 and 2008 was $9,387 and $26,619, respectively. The variances between periods are primarily attributable to the incremental cash balances available for investment during each respective period as well as the prevailing interest rates available from our financial institution.

Results of Operations Years ended December 31, 2008, 2007 and 2006

Net Loss

We recorded net losses of $3,728,187, $4,241,796 and $584,166 for the years ended December 31, 2008, 2007 and 2006, respectively.

Grant Revenue

We recorded grant revenues of $2,910,170 in 2008, $237,004 in 2007 and $852,905 in 2006. Grant revenue reported during 2006 relates to projects covered by grants from the National Institutes of Health issued to Emory University and subcontracted to us pursuant to collaborative arrangements with Emory University; the activities associated with these grants were completed during 2006. As of December 31, 2008, there was approximately $3 million remaining under the current year s award under the IPCAVD grant by the NIH and carryovers from the prior year award.

Research and Development

Our research and development expenses were $3,741,489 in 2008, $1,757,125 in 2007 and $665,863 in 2006. Research and development expenses vary considerably on a period-to-period basis, primarily depending on our need for vaccine manufacturing and testing of manufactured vaccine by third parties. Research and development expense includes stock-based compensation expense of $494,041, $284,113 and $-0- for 2008, 2007 and 2006, respectively (see discussion below). Research and development costs increased during the 2007 and 2008 periods as a direct result of spending associated with the NIH grant discussed above, and due to costs associated with our vaccine manufacturing activities in preparation for commencement of Phase 2 clinical testing, as well as the addition of new scientific personnel.

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In July 2008, we signed a letter of intent with Vivalis S.A., a French biopharmaceutical company, for joint collaboration and license of Vivalis proprietary EBx® technology. The letter of intent contemplates development of a process using the EBx® technology to manufacture the MVA component of the GeoVax HIV-1 vaccine. Vivalis vaccine manufacturing technology is based on a duck embryonic stem cell substrate platform, providing continuous growth from a fully characterized frozen cell bank without necessitating fertilized embryo extraction and processing, as with present chicken cell based technologies. Furthermore, the EB66® cell line can be grown in suspension (without the cells attached to the surface of the growth vessel) and can be scaled up for growth in giant bioreactors (a cutting edge industrial method) for large scale production of the MVA viral vaccine. We expect the final agreement with Vivalis to be executed during the third quarter of 2009. Subsequent to execution of this agreement, we expect to incur substantial costs associated with development of this vaccine manufacturing technology, with preliminary cost estimates ranging from $1.5 to $2.0 million during 2009 and early 2010.

General and Administrative Expense

Our general and administrative expenses were $2,970,068 in 2008, $2,784,182 in 2007 and $843,335 in 2006. General and administrative costs substantially increased during the three-year period ending December 31, 2007 primarily as a result of the Company becoming a publicly-traded entity subsequent to the merger of GeoVax Labs, Inc and GeoVax, Inc. in September 2006. These higher costs include, among other things, the costs of an expanded management team (including the engagement of our Chief Financial Officer in October 2006 and our Senior Vice President in January 2007), a newly instituted investor relations program, costs associated with an expanded Board of Directors, costs associated with our efforts to comply with the Sarbanes-Oxley Act of 2002, and increased legal and accounting fees associated with compliance with securities laws. General and administrative expense includes stock-based compensation expense of $1,525,008, $1,234,380 and $-0- for 2008, 2007 and 2006, respectively (see discussion below).

Stock-Based Compensation Expense

During 2008, we recorded total stock-based compensation expense of $2,019,049, which was allocated to research and development expense ($494,041), or general and administrative expense ($1,525,008) according to the classification of cash compensation paid to the employee, consultant or director to whom the stock compensation was granted. During 2007, we recorded total stock-based compensation expense of $1,518,496, of which $284,113 was allocated to research and development expense and $1,234,380 was allocated to general and administrative expense. No stock-based compensation expense was recorded during 2006. We did not grant or modify any share-based compensation during 2006, thus no expense was recorded during for that year.

Other Income

Interest income was $73,200 in 2008, $62,507 in 2007 and $72,127 in 2006. The variances between years are primarily attributable to the cash available for investment, which totaled $2,191,180 at December 31, 2008, $1,990,356 at December 31, 2007 and $2,088,149 at December 31, 2006.

Impact of Inflation

For the three-year period ending December 31, 2008, we do not believe that inflation and changing prices had a material impact on our operations or on our financial results.

Off-Balance Sheet Arrangements

We have not entered into off-balance sheet financing arrangements, other than operating leases.

Quantitative and Qualitative Disclosures about Market Risk

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

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DIRECTORS AND EXECUTIVE OFFICERS

The following table sets forth certain information with respect to our directors and executive officers.

Name	Age	Current Position
Donald G. Hildebrand	68	Chairman of the Board of Directors
Andrew J. Kandalepas	57	Senior Vice President and Director
Dean G. Kollintzas*	36	Director
Robert T. McNally, Ph.D.	61	President and Chief Executive Officer, Director
Mark W. Reynolds	47	Chief Financial Officer and Corporate Secretary
Harriet L. Robinson, Ph.D.	71	Senior Vice President, Research & Development, Director
John N. Spencer, Jr.*	68	Director
Peter M. Tsolinas*	73	Director

* Member of the Audit Committee and the Compensation Committee of the Board of Directors.

Donald G. Hildebrand. Mr. Hildebrand joined the Board of Directors as Chairman and became our President and Chief Executive Officer upon consummation of the merger with GeoVax, Inc. in September 2006. Effective April 1, 2008, upon the appointment of Dr. Robert McNally as our President and Chief Executive Officer, Mr. Hildebrand executed a consulting agreement with the Company and remained as Chairman of the Board. Mr. Hildebrand is a founder of GeoVax, Inc., our wholly-owned subsidiary, and has served as a member of its Board of Directors since June 2001. Prior to founding GeoVax, Mr. Hildebrand was North American President and Chief Executive Officer of Rhone Merieux, Inc., a subsidiary of Rhone Merieux, S.A., a world leader in the biopharmaceutical and animal health industries. In 1997, Mr. Hildebrand also became Global Vice President of Merial Limited, a position that he held until retiring in 2000. Mr. Hildebrand received his BS in microbiology from the University of Wisconsin.

Andrew J. Kandalepas. Mr. Kandalepas was Chairman of the Board, President and Chief Executive Officer of Dauphin Technology from 1995 until the merger with GeoVax, Inc. in September 2006, at which time he assumed the position of Senior Vice President and remained a director of the Company. Mr. Kandalepas has a varied 30-plus year career as an entrepreneur and executive manager. Mr. Kandalepas earned his Electronics Engineering Degree from DeVry Institute of Technology.

Dean G. Kollintzas. Mr. Kollintzas joined the Board of Directors upon consummation of the merger with GeoVax, Inc. in September 2006. Since 2001, Mr. Kollintzas has been an Intellectual Property attorney specializing in biotechnology and pharmaceutical licensing, FDA regulation, and corporate/international transactions. Mr. Kollintzas received a Microbiology degree from the University of Illinois and a J.D. from Franklin Pierce Law Center. He is a member of the Wisconsin and American Bar Associations.

Robert T. McNally, Ph.D. Dr. McNally joined the Board of Directors in December 2006 and was appointed as our President and Chief Executive Officer effective April 1, 2008. From 2000 to March 2008, Dr. McNally served as Chief Executive Officer of Cell Dynamics LLC, a cGMP laboratory services company. Previously, Dr. McNally was Senior Vice President of Clinical Research for CryoLife, Inc., a pioneering company in transplantable human tissues. Dr. McNally is a Fellow of the American Institute for Medical and Biological Engineering, serves on the advisory boards of the Petit Institute for Bioengineering and Dupree College of Management at the Georgia Institute of Technology, and is a past Chairman of Georgia Bio, a trade association. Dr. McNally graduated with a Ph.D. in Biomedical Engineering from the University of Pennsylvania.

Mark W. Reynolds, CPA. Mr. Reynolds joined the Company in October 2006 as Chief Financial Officer and Corporate Secretary. From 2003 to 2006, before being named Chief Financial Officer of GeoVax Labs, Inc., Mr. Reynolds provided financial and accounting services to GeoVax, Inc. as an independent contractor. From 2004 to the present, Mr. Reynolds has served as Chief Financial Officer for HealthWatchSystems, Inc. a privately-held company in the consumer healthcare industry, a position which he continues to hold. From 2004 to 2006, he served as Chief Financial Officer for Duska Therapeutics, Inc., a publicly-held biotechnology company. From 1988 to 2002, Mr. Reynolds was first Controller and later Chief Financial Officer and Corporate Secretary for CytRx Corporation, a

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publicly-held biopharmaceutical company. Mr. Reynolds began his career as an auditor with Arthur Andersen & Co. from 1985 to 1988. He is a certified public accountant and earned a Masters of Accountancy degree from the University of Georgia.

Harriet Latham Robinson, Ph.D. Dr. Robinson joined the Company as Senior Vice President, Research and Development on a part-time basis in November 2007 and on a full-time basis in February 2008, and was elected to the Board of Directors in June 2008. She is a co-founder of GeoVax, Inc. and has served as Chief of its Scientific Advisory Board since formation of the company in 2001. From 1999 to February 2008, Dr. Robinson served as the Asa Griggs Candler Professor of Microbiology and Immunology at Emory University in Atlanta, Georgia, and from 1998 to February 2008 as Chief, Division of Microbiology and Immunology, Yerkes National Primate Center and Professor at the Emory University School of Medicine. She was Professor, Dept. of Microbiology & Immunology at the University of Massachusetts Medical Center from 1988 to 1997 and Staff, then Senior, then Principal Scientist at the University of Massachusetts Worcester Foundation for Experimental Biology from 1977 to 1987. She was also a National Science Foundation Postdoctoral Fellow at the Virus Laboratory, University of California, Berkeley, in Berkeley, California from 1965 to 1967. Dr. Robinson has a B.A degree from Swarthmore College and M.S. and Ph.D. degrees from the Massachusetts Institute of Technology.

John N. (Jack) Spencer, Jr., CPA. Mr. Spencer joined the Board of Directors upon consummation of the merger with GeoVax, Inc. in September 2006. Mr. Spencer is a certified public accountant and was a partner of Ernst & Young where he spent more than 38 years until he retired in 2000. Mr. Spencer serves as a director of a number of privately held companies. He also serves as a consultant to various companies primarily relating to financial accounting and reporting matters. Mr. Spencer received a BS degree from Syracuse University, and he earned an MBA degree from Babson College. He also attended the Harvard Business School Advanced Management Program.

Peter M. Tsolinas. Mr. Tsolinas joined the Board of Directors in August 2008. In 1981, Mr. Tsolinas founded TMA Group Development Corp., a Chicago based real estate, architectural and development firm, and he currently serves as its Chairman and CEO, a position he has held since its formation. Mr. Tsolinas has a varied career of more than 45 years as an architect and real estate developer. Mr. Tsolinas attended the University of Illinois where he received a Bachelor of Architecture degree.

Director Independence

The Board of Directors has determined that Dean Kollintzas, John Spencer and Peter Tsolinas are the members of our Board of Directors who are independent , as that term is defined by Section 301(3)(B) of the Sarbanes-Oxley Act of 2002. The Board of Directors has also determined that these three individuals meet the definition of independent set forth in NASDAQ Rule 5605 (formerly Rule 4200), which is part of its listing standards. As independent directors, Mr. Kollintzas, Mr. Spencer and Mr. Tsolinas serve as the members of our Audit and Compensation Committees. Prior to his appointment as our President and Chief Executive Officer in April 2008, Dr. McNally was also an independent director and served as a member of our Audit and Compensation Committees.

COMPENSATION DISCUSSION AND ANALYSIS

Executive Summary

In the paragraphs that follow, the Compensation Committee provides an overview and analysis of our compensation program and policies, the material compensation decisions made under those programs and policies with respect to our executive officers, and the material factors considered in making those decisions.

The Compensation Committee reviews, analyzes and approves the compensation of our senior executive officers, including the Named Executive Officers listed in the tables set forth following this Compensation Discussion and Analysis. The Named Executive Officers for 2008 include the two individuals who held the office of chief executive officer, our chief financial officer, and the two other executive officers whose total compensation for 2008 exceeded $100,000, calculated in accordance with the rules and regulations of the SEC. Our Named Executive Officers for 2008 are:

Robert McNally, President and Chief Executive Officer

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Donald Hildebrand, former President and Chief Executive Officer

Andrew Kandalepas, Senior Vice-President

Mark Reynolds, Chief Financial Officer

Harriet Robinson, Senior Vice-President, Research and Development

The tables that follow this Compensation Discussion and Analysis contain specific data about the compensation earned or paid in 2008 to the Named Executive Officers. The discussion below is intended to help you understand the detailed information provided in the compensation tables and put that information into context within our overall compensation program.

Objectives of Our Compensation Program

In general, we operate in a marketplace where competition for talented executives is significant. The biopharmaceutical industry is highly competitive and includes companies with far greater resources than ours. We are engaged in the long-term development of drug candidates, without the benefit of significant current revenues, and therefore our operations involve a high degree of risk and uncertainty. This level of risk and uncertainty may make it difficult to retain talented executives. Nevertheless, continuity of personnel across multi-disciplinary functions is a critical success factor to our business. Furthermore, since we have relatively few employees, each must perform a broad scope of functions, and there is very little redundancy in skills.

The objectives of our compensation program for our executive officers and other employees are to provide competitive cash compensation, health, and retirement benefits as well as long-term equity incentives that offer significant reward potential for the risks assumed and for each individual s contribution to our long-term performance. Individual performance is measured subjectively against overall corporate goals, scientific innovation, regulatory compliance, new business development, employee development, and other values designed to build a culture of high performance. These policies and practices are based on the principle that total compensation should serve to attract and retain those executives and employees critical to our overall success and are designed to reward executives for their contributions toward business performance that enhances stockholder value.

Role of the Compensation Committee

Our Compensation Committee assists our Board in discharging its responsibilities relating to compensation of our executive officers. As such, the Compensation Committee has responsibility over matters relating to the fair and competitive compensation of our executives, employees and directors (only non-employee directors are compensated as such) as well as matters relating to all other benefit plans. Each of the members of our Compensation Committee is independent in accordance with the criteria of independence set forth in Section 301(3)(B) of the Sarbanes-Oxley Act of 2002. We believe that their independence from management allows the Compensation Committee members to provide unbiased consideration of various elements that could be included in an executive compensation program and apply independent judgment about which elements and designs best achieve our compensation objectives. With regard to executive compensation, the Compensation Committee is charged specifically with annually reviewing and determining the compensation of our Chief Executive Officer. With regard to our other executive officers, the Compensation Committee reviews, at least annually, recommendations from our Chief Executive Officer and acts on his recommendations as appropriate. The Compensation Committee also approves a pool of stock options to be granted as recommended by the Chief Executive Officer to our employees (including other executive officers) and the Board of Directors approves the grant of such options.

Elements of Compensation

To achieve the objectives described above, the three primary compensation elements used for executive officers are base salary, cash bonus, and stock option awards. We believe that these three elements are the most effective combination in motivating and retaining our executive officers at this stage in our development.

Base Salary. Our philosophy is to maintain executive base salary at a competitive level sufficient to recruit and retain individuals possessing the skills and capabilities necessary to achieve our goals over the long term. Base salaries provide our executive officers with a degree of financial certainty and stability and also reward individual

achievements and contributions. Each individual s base salary is determined after considering a variety of factors

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including prospective value to us, the knowledge, experience, and accomplishments of the individual and the individual s level of responsibility.

Cash Bonus. Annual cash incentive awards motivate our executives to contribute toward the achievement of corporate goals and objectives. Generally, every staff member is eligible to earn an annual cash incentive award, promoting alignment and pay-for-performance at all levels of the organization. The Company currently does not have a formalized cash incentive award plan, and awards are based on the subjective recommendation of the President & CEO and on the Committee s judgment.

Stock Option Awards. Stock option awards are a fundamental element in our executive compensation program because they emphasize our long-term performance, as measured by creation of stockholder value, and align the interests of our stockholders and management. In addition, the Compensation Committee believes they are crucial to a competitive compensation program for executive officers, and they act as a powerful retention tool. In our current pre-commercial state, we view the Company as still facing a significant level of risk, but with the potential for a high upside, and therefore we believe that stock incentive awards are appropriate for executive officers. These awards are provided through initial grants at or near the date of hire and through subsequent periodic grants. The initial grant is designed for the level of the job that the executive holds and is designed to motivate the officer to make the kind of decisions and implement strategies and programs that will contribute to an increase in our stock price over time. Periodic additional stock option awards may be granted to reflect the executives ongoing contributions to the Company, to create an incentive to remain at the Company, and to provide a long-term incentive to achieve or exceed our corporate goals and objectives**.** The Company currently does not have a formula for determining stock option awards; and awards are generally based on the subjective recommendation of the President & CEO and on the Committee s judgment.

Timing of Annual Awards

In order to assess the performance of a full calendar year, annual cash bonus and stock option awards are generally determined in December of the each year. We do not currently have any program, plan or practice in place to time stock option grants to our executives or other employees in coordination with the release of material non-public information.

Accounting and Tax Considerations

The accounting and tax treatment of compensation generally has not been a factor in determining the amounts of compensation for the Company s executive officers.

Section 162(m) of the Internal Revenue Code of 1986, as amended, limits tax deductions of public companies on compensation paid to certain executive officers in excess of $1 million. The Compensation Committee considers the impact of Section 162(m) on its compensation decisions, but has no formal policy to structure executive compensation so that it complies with the requirements of Section 162(m). In general, stock options granted under the Company s 2006 Equity Incentive Plan (Plan) are intended to qualify under and comply with the performance based compensation exemption provided under Section 162(m) thus excluding from the Section 162(m) compensation limitation any income recognized by executives at the time of exercise of such stock options.

Statement of Financial Accounting Standards No. 123(R), Share-Based Payment (FAS 123(R)) requires us to recognize an expense for the fair value of equity-based compensation awards. Grants of stock options under our equity incentive award plans are accounted for under FAS 123(R). The Compensation Committee considers the accounting implications of significant compensation decisions, especially in connection with decisions that relate to our equity incentive award plans, but has no formal policy to structure executive compensation to align accounting expenses of our equity awards with our overall executive compensation philosophy and objectives.

Setting Executive Compensation

Historically, we have not used a quantitative method or mathematical formulas exclusively in setting any element of executive compensation. We use discretion, guided in large part by the concept of pay for performance, and

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we consider all elements of an executive s compensation package when setting each portion of compensation. There is no pre-established policy or target for the allocation between cash and equity incentive compensation.

When determining compensation for a new executive officer, factors taken into consideration are the individual s skills, background and experience, the individual s past and potential future impact on our short- and long-term success, and competitive information from industry-specific sources, and possibly from other prospective candidates interviewed during the recruitment process. We will generally make a grant of stock options when an executive officer joins us. Options are granted at no less than 100% of the fair market value on the date of grant. In determining the size of a stock option grant to an executive officer, we consider company performance, competitive data, and the individual s scope of responsibility and continuing performance. Most importantly, since the stock option grant is meant to be a retention tool, we consider the importance to stockholders of that person s continued service. Stock option grants to executives will generally vest over a period of three years.

The Compensation Committee annually reviews and determines the compensation for our Chief Executive Officer. Each year recommendations for the compensation for other executive officers (other than himself) are prepared by the Chief Executive Officer and are reviewed with the Committee and modified where appropriate.

As part of its executive compensation review conducted annually in December, the Committee reviews a tally sheet setting forth all components of total compensation to our CEO, our Named Executive Officers and all other employees. The tally sheet includes current and proposed base salary, proposed annual cash incentive awards and historical as well as proposed stock option awards. These tools are employed by the Committee as a useful check on total compensation and are considered important because the Committee s decisions are usually made on a program-by-program basis and in the context of the program being considered. These tools show the effect of compensation decisions made over time on the total annual compensation to a Named Executive Officer and allow the Committee to review historical amounts for comparative purposes.

2008 Executive Compensation

Using its judgment of the skills, experience, responsibilities, achievements and historical compensation of each of the Named Executive Officers, the Committee established their salaries for 2008 at its meeting in December 2007. At its meeting in December 2008, the Committee considered the same factors in determining the award of cash bonuses, stock option grants and salary increases for 2009.

In its deliberations on executive compensation at its meeting in December 2008, the Committee considered and accepted the recommendation from Dr. McNally that none of the Named Executive Officers receive a cash bonus for 2008 and that no salary increases would be effective for 2009, except as related to Mr. Reynolds with respect to a proportionate increase relative to his time commitment to the business of the Company. Although the Committee believes the Company made substantial progress in several areas during 2008, and that each of the Named Executive Officers contributed significantly to this progress, the Committee also gave consideration to the current economic environment with regard to the Company s ability to efficiently raise capital, and therefore to the Company s need to conserve its cash resources. This decision by the Committee did not impact the awarding of cash bonuses and salary increases to the Company s non-executive employees. Other considerations specific to each of the individual Named Executive Officers are described below.

Donald Hildebrand. Mr. Hildebrand retired as our President and Chief Executive Officer effective April 1, 2008, and was succeeded by Robert T. McNally, Ph.D. In order to assist with the transition of certain duties to Dr. McNally, Mr. Hildebrand entered into a Consulting Agreement with us on March 20, 2008. Mr. Hildebrand also remained as Chairman of the Board. Mr. Hildebrand did not receive any cash bonuses or stock option grants during 2008. See Summary Compensation Table and Certain Relationships and Related Party Transactions for additional information on the Consulting Agreement with Mr. Hildebrand. During 2008, the Company extended the exercise period of 8,895,630 stock options held by Mr. Hildebrand see Stock Option Extensions below.

Robert McNally. On March 20, 2008, we entered into an Employment Agreement with Dr. McNally to become our new President and Chief Executive Officer effective April 1, 2008 upon Mr. Hildebrand s retirement. Dr. McNally s annual compensation was initially set at $200,000 determined, in part, by the transitional role Mr. Hildebrand provided through his consulting arrangement. On June 17, 2008, at its first meeting after Dr. McNally s

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taking office, and upon his re-appointment to the office subsequent to the Annual Meeting of Stockholders, the Compensation Committee increased Dr. McNally s annual salary to $250,000 and granted a stock option contract to him for 2,400,000 shares at an exercise price of $0.17 per share. These changes were based on the Committee s subjective judgment of the value being provided by Dr. McNally and to provide an appropriate long-term incentive for him. In determining Dr. McNally s compensation adjustments, the Compensation Committee considered the relative level of other Company executives pay, and the amount of outstanding stock options previously awarded to Dr. McNally in consideration for service as an outside Board member prior to his employment by the Company as President and Chief Executive Officer. In December 2008, the Board awarded Dr. McNally an additional stock option grant for 500,000 shares at an exercise price of $0.11 per share. Dr. McNally received no cash bonuses during 2008.

Andrew Kandalepas. Mr. Kandalepas serves as our Senior Vice President pursuant to an employment agreement executed in February 2007. During 2008 he received a base salary of $225,000. In December 2008, the Board awarded Mr. Kandalepas a stock option grant for 500,000 shares at an exercise price of $0.11 per share. Mr. Kandalepas received no cash bonuses during 2008.

Mark Reynolds. Mr. Reynolds serves as our Chief Financial Officer pursuant to an employment agreement executed in February, 2008. Pursuant to this agreement, Mr. Reynolds provides services to the Company on a part-time basis and was paid a salary of $115,000 during 2008. Prior to entering in the employment agreement, Mr. Reynolds was paid a monthly retainer of $750 plus a fee of $145 per hour. In December 2008, the Board awarded Mr. Reynolds a stock option grant for 500,000 shares at an exercise price of $0.11 per share. Mr. Reynolds received no cash bonuses during 2008.

Harriet Robinson. Dr. Robinson serves as our Senior Vice President Research and Development pursuant to an employment agreement executed in November, 2008. Pursuant to this agreement, Dr. Robinson is paid an annual salary of $250,000. In December 2008, the Board awarded Dr. Robinson a stock option grant for 500,000 shares at an exercise price of $0.11 per share. Dr. Robinson received no cash bonuses during 2008. During 2008, the Company extended the exercise period of 8,895,630 stock options held by Dr. Robinson see Stock Option Extensions below.

Stock Option Extensions. On June 17, 2008, the Company extended the exercise period of stock options granted in prior years to Mr. Hildebrand and Dr. Robinson. These stock options were originally granted with an exercise period of 5-7 years and were to expire beginning in 2009. The extensions were made to adjust the exercise period to 10 years from the original grant date. The extensions did not affect the vesting schedule of the grants; all were originally granted with a 3-year vesting schedule and were fully vested at the time of the extensions. The Committee s decision to grant these extensions was based primarily on two factors:

The Company s current practice is to grant employee stock options with a 10 year exercise period; the terms of the affected grants were inconsistent with current practice.

The imminent expiration dates, together with the beneficial exercise prices in comparison to the prevailing market price of the Company s stock may have created pressure for the individual to exercise the stock option prematurely and to sell the underlying shares in a manner that may be inconsistent with the interests of the Company and its stockholders.

The Committee considered the impact of these extensions on all affected employees and gave no preferential treatment or consideration to the Company s executive officers. In addition to Mr. Hildebrand and Dr. Robinson, two other non-executive employees were also granted extensions.

Benefits Provided to Executive Officers

We provide our executive officers with certain benefits that the Compensation Committee believes are reasonable and consistent with our overall compensation program. The Compensation Committee will periodically review the levels of benefits provided to our executive officers.

Prior to his retirement effective April 1, 2008, Mr. Hildebrand received reimbursement of periodic commuting expenses and temporary living expenses for travel between our offices in Atlanta, Georgia and Mr. Hildebrand s home in Athens, Georgia. Mr. Hildebrand is reimbursed for medical and dental insurance costs per his consulting agreement.

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Dr. McNally, Mr. Kandalepas, Mr. Reynolds and Dr. Robinson are eligible for health insurance and 401(k) benefits at the same level and subject to the same conditions as provided to all other employees. The amounts shown in the Summary Compensation Table under the heading All Other Compensation represent the value of the Company s matching contributions to the executive officers 401(k) accounts. Executive officers did not receive any other perquisites or other personal benefits or property from the Company or any other source.

Summary Compensation Table

The following table sets forth information concerning the compensation earned during the fiscal years ended December 31, 2008, 2007 and 2006 by each person who served as our Chief Executive Officer, and by our Chief Financial Officer and Senior Vice Presidents (collectively, our Named Executive Officers).

Name and Principal Position	Year	Salary ($)	Bonus ($)	Stock Awards ($)	(3) Option Awards ($)	(4) All Other Compen-sation ($)	Total ($)
Robert T. McNally (1)	2008	$175,000	$	$	$203,351	$1,250	$379,601
President &	2007						
Chief Executive							
Officer	2006						
Donald G. Hildebrand							
(2)	2008	90,000			237,468	1,521	328,989
Former President &	2007	252,577				3,375	255,952
Chief Executive							
Officer	2006	57,500	50,000			574	108,074
Mark W. Reynolds	2008	120,740			261,920		382,660
Chief Financial							
Officer	2007	92,102	10,000		190,324		292,426
	2006	13,192	2,000				15,192
Andrew J. Kandalepas	2008	225,000			238,592		463,592
Senior Vice President	2007	205,288	10,000		188,380		403,668
	2006	173,467					