Perfumania Holdings, Inc.
Form DEF 14A
November 05, 2014

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

SCHEDULE 14A
(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION
Proxy Statement Pursuant to Section 14(a) of the Securities
Exchange Act of 1934

Filed by the Registrant x
Filed by a Party other than the Registrant ¨

Check the appropriate box:
¨Preliminary Proxy Statement
¨Confidential, For Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
xDefinitive Proxy Statement
¨Definitive Additional Materials
¨Soliciting Materials Pursuant to § 240.14a-12

PERFUMANIA HOLDINGS, INC.
(Name of Registrant as Specified in Its Charter)

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):
xNo fee required.
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(4) Date Filed:

Perfumania Holdings, Inc.
35 Sawgrass Drive, Suite 2
Bellport, New York 11713

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
To Be Held On December 10, 2014

To our Shareholders:

The 2014 Annual Meeting of Shareholders of Perfumania Holdings, Inc. will be held at 10:00 a.m. on Wednesday, December 10, 2014, at 5900 North Andrews Avenue, Suite 500, Ft. Lauderdale, Florida, 33309, for the purpose of considering and acting upon the following:

1. Election of nine directors to hold office until our 2015 Annual Meeting of Shareholders and until their successors are duly elected and qualified;
2. Ratify, on an advisory basis, the appointment of CohnReznick LLP as our independent registered public accounting firm; and
3. Any other matters that properly come before the Annual Meeting.

The Board of Directors is not aware of any other business scheduled for the Annual Meeting. Any action may be taken on the foregoing proposals at the Annual Meeting on the date specified above, or on any date or dates to which the Annual Meeting may be adjourned.

Shareholders of record at the close of business on October 13, 2014 are entitled to notice of, and to vote at, the Annual Meeting or at any postponements or adjournments of the Annual Meeting.

By Order of the Board of Directors,

Donna L. Dellomo
Vice President and Chief Financial Officer
Bellport, New York
November 5, 2014

YOUR VOTE IS IMPORTANT

IT IS IMPORTANT THAT PROXIES BE RETURNED PROMPTLY. THEREFORE, WHETHER OR NOT YOU EXPECT TO ATTEND THE MEETING IN PERSON, PLEASE SIGN, DATE AND RETURN THE ENCLOSED PROXY AS SOON AS POSSIBLE IN THE ENCLOSED POSTAGE PRE-PAID ENVELOPE.

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PERFUMANIA HOLDINGS, INC.
2014 ANNUAL MEETING OF SHAREHOLDERS

PROXY STATEMENT

This proxy statement contains information related to our 2014 Annual Meeting of Shareholders to be held at 10:00 am on Wednesday, December 10, 2014, at 5900 North Andrews Avenue, Suite 500, Ft. Lauderdale, Florida, 33309, and at any adjournments or postponements thereof. The approximate date that this proxy statement, the accompanying notice of Annual Meeting and the enclosed proxy card are first being sent to shareholders is November 5, 2014. You should review this information in conjunction with our annual report to shareholders, which accompanies this proxy statement.

Important Notice Regarding the Availability of Proxy Materials for the
Shareholder Meeting to Be Held on December 10, 2014:

This proxy statement and the annual report are available to our shareholders electronically via the Internet on our website at www.perfumaniaholdingsinc.com/proxy_materials.aspx.

ABOUT THE ANNUAL MEETING

What is the purpose of the Annual Meeting?

At the Annual Meeting, shareholders will act upon the matters outlined in the accompanying notice of meeting, including the election of directors and the ratification of the appointment of our independent registered public accounting firm.

What is a proxy?

It is your legal designation of another person to vote the stock you own. That person is also called a “proxy.” If you designate someone as your proxy in a written document, that document is called a proxy card. The form of proxy card included with this proxy statement is solicited by our Board of Directors and designates each of Michael W. Katz, Joseph Bouhadana and Paul Garfinkle, or their successors, as proxies for our Annual Meeting.

What is a proxy statement?

It is a document that the regulations of the Securities and Exchange Commission (SEC) require us to give you when we ask you to sign a proxy card designating individuals as proxies to vote on your behalf.

What is the difference between a shareholder of record and a shareholder who holds stock in street name?

If your shares are registered in your name, you are a shareholder of record. Owners of record receive their proxy materials directly from us. When you properly complete, sign and return your proxy card, you are instructing the named proxies to vote your shares in the manner you indicate on the proxy card.

If your shares are held in the name of your broker or other financial institution, which is usually the case if you hold your shares in a brokerage or similar account, your shares are held in “street name.” Your broker or other financial institution or its respective nominee is the shareholder of record for your shares, and you are the “beneficial owner.” As the holder of record, only your broker, other institution or nominee is authorized to vote or grant a proxy for your shares, but you may instruct the holder of record how to vote. Beneficial owners receive their proxy materials directly from their broker or other institution.

What are abstentions and broker non-votes?

An abstention occurs when a shareholder of record (which may be a broker or other nominee of a street name holder) is present at a meeting (or deemed present) but fails to vote on a proposal, indicates that the shareholder abstains from voting on the proposal, or withholds authority from proxies to vote for director nominees while failing to vote for other eligible candidates in their place. A broker non-vote occurs when a broker or other nominee who holds shares for another does not vote on a particular proposal because the nominee does not have discretionary voting authority for that proposal and has not received instructions from the beneficial owner of the shares.

Who is entitled to vote at the Annual Meeting?

Only shareholders at the close of business on the record date, October 13, 2014, are entitled to receive notice of the Annual Meeting and to vote shares of our common stock that they held on the record date, or any adjournments or postponements of the Annual Meeting. Each outstanding share of common stock entitles its holder to cast one vote on each matter to be voted upon.

Any shareholder of record as of the record date may look at the complete list of the shareholders of record entitled to vote at the Annual Meeting. The list will be available at our principal executive offices for a period of ten days before the Annual Meeting and at the Annual Meeting itself.

Who can attend the Annual Meeting?

All shareholders as of the record date, or their duly appointed proxies, may attend. If your shares are held in the name of your broker or bank, you will need to bring a copy of a recent brokerage statement reflecting your stock ownership as of the record date and valid picture identification.

What constitutes a quorum for the meeting?

The presence at the Annual Meeting, in person or by proxy, of the holders of a majority of all of the shares of common stock outstanding on the record date will constitute a quorum, permitting us to conduct business at the Annual Meeting. As of the record date, 15,474,032 shares of our common stock were outstanding. Proxy cards received but marked as abstentions and broker non-votes will be included in the calculation of the number of shares considered to be present at the Annual Meeting for purposes of a quorum. An inspector of elections appointed for the Annual Meeting will determine whether or not a quorum is present and will tabulate votes cast by proxy or in person at the Annual Meeting.

If less than a majority of the outstanding shares entitled to vote is represented at the Annual Meeting, a majority of the shares present at the Annual Meeting may adjourn the Annual Meeting to another date, time or place, and notice need not be given of the new date, time or place if the new date, time or place is announced at the Annual Meeting before adjournment.

How do I vote my shares?

If you complete, sign and return the accompanying proxy card, it will be voted as you direct. You may also vote in person at the Annual Meeting; however, beneficial owners who wish to vote in person will need to bring a proxy from the institution that holds their shares.

Can I vote by telephone or electronically?

We have not established procedures to allow telephone or electronic voting by shareholders of record, but may do so for future shareholder meetings if we determine that the added convenience to our shareholders would justify the additional costs to us associated with these voting methods. Beneficial owners may vote by telephone or the Internet if their bank or broker makes those methods available, in which case your bank or broker will enclose the instructions with this proxy statement.

Can I revoke my proxy and change my vote after I return my proxy card?
Yes. If you are a record holder, even after you have submitted your proxy card, you may revoke your proxy and change your vote at any time before the proxy is exercised by filing with our Corporate Secretary either a notice of revocation or a duly executed proxy card bearing a later date. You may also change your vote by attending the Annual Meeting in person and voting. If a broker, bank or other nominee is the record holder of your shares and you wish to revoke your proxy, you must contact the record holder of your shares directly.
If I submit a proxy, how will my shares be voted?
If you submit a properly executed proxy card, the individuals named on the card, as your proxies, will vote your shares in the manner you indicate. If you sign and return the card without indicating your instructions, your shares will be voted in accordance with the recommendations of the Board of Directors.
Your vote is important. Whether you plan to attend the meeting or not, we encourage you to vote by proxy as soon as possible.
My shares are held in street name. How are my shares voted if I do not return voting instructions?
Your shares may be voted if they are held in the name of a broker or bank, even if you do not provide the broker or other institutional holder with voting instructions. Brokers and banks generally have authority to vote shares on certain "routine" matters for which their customers do not provide voting instructions. The ratification of the appointment of CohnReznick LLP as our independent registered public accounting firm is considered a routine matter which may be voted on by your broker or bank in its discretion if you have not provided voting instructions within the applicable time frame. Brokers do not have discretionary voting authority in the election of directors as these are not considered routine matters so, if you do not provide voting instructions, shares that you hold in a brokerage account will not be counted. Such “broker non-votes” will not be included in the votes cast and will have no impact on the results of voting with respect to the election of directors. We urge you to instruct your broker or bank about how you wish your shares to be voted.
What are the Board's recommendations?
Our Board of Directors recommends that you vote:

- for the election of the nominated slate of directors; and
- for approval of the advisory resolution to ratify the appointment of CohnReznick LLP as our independent registered public accounting firm.

The Board of Directors does not know of any other matters that may be brought before the Annual Meeting, nor does it foresee or have reason to believe that the proxy holders will have to vote for substitute or alternate Board of Directors nominees. In the event that any other matter should properly come before the Annual Meeting or any Board of Directors nominee is not available for election, the proxy holders will vote as recommended by the Board of Directors or, if no recommendation is given, in accordance with their best judgment.
What vote is required to approve each proposal?
Election of Directors. The affirmative vote (either in person or by proxy) of a plurality of the votes cast at the Annual Meeting is required for the election of directors. This means that candidates who receive the highest number of votes are elected. Shareholders do not have the right to cumulate their votes for directors.
Ratification of Appointment of Independent Registered Public Accounting Firm. The affirmative vote (either in person or by proxy) of a majority of the votes cast at the Annual Meeting is required for approval of the ratification of the appointment of CohnReznick LLP. While the Board of Directors will carefully consider the shareholder vote, the final vote is advisory in nature and will not be binding on the Board or the Company.

How are abstentions counted when tabulating the vote?
Abstentions (that is, a properly executed proxy card marked "ABSTAIN" with respect to a particular matter) with respect to a particular matter do not count in any vote totals "for" or "against" that matter, even though the shares associated with such abstentions are counted for purposes of determining whether there is a quorum present at the Annual Meeting.
Who pays for the preparation of the proxy?
We will pay the cost of preparing, assembling and mailing the Proxy Statement, Notice of Annual Meeting and enclosed proxy card. In addition to the use of mail, our associates may solicit proxies personally and by telephone. Our associates will receive no compensation for soliciting proxies other than their regular salaries. We may request banks, brokers and other custodians, nominees and fiduciaries to forward copies of the proxy material to the beneficial owners of our common stock and to request authority for the execution of proxies. We may reimburse such persons for their expenses incurred in connection with these activities.
How can I obtain a separate set of voting materials?
Under a procedure approved by the SEC called "householding," certain shareholders of record who have the same address and last name will receive only one copy of the Annual Report and proxy materials sent to shareholders until such time as one or more of these shareholders notifies us that they wish to continue receiving individual copies. This procedure reduces duplicate mailings and saves printing costs and postage fees, as well as natural resources.
If you received a householded mailing this year, and you would like to have additional copies of our Annual Report and proxy materials mailed to you, or if you would like to opt out of householding for future mailings, please submit your request to Corporate Secretary, 35 Sawgrass Drive, Suite 2, Bellport, New York 11713, or call (631) 866-4100. You may also contact us at the address or phone number above if you received multiple copies of the Annual Meeting materials and would prefer to receive a single copy in the future.

PROPOSAL 1 - ELECTION OF DIRECTORS
Directors Standing for Election
At the Annual Meeting, the shareholders will elect nine directors, each of whom will serve for a term expiring at the next Annual Meeting of Shareholders and until his or her successor has been duly elected and qualified.
Each of the nominees listed below has consented to being named in this proxy statement and to serve if elected. The Board of Directors has no reason to believe that any nominee will refuse or be unable to serve if elected. However, if any of them should become unavailable to serve as director, the Board of Directors may designate a substitute nominee or the number of directors may be reduced in accordance with our by-laws. If the Board of Directors designates a substitute nominee, the persons named as proxies will vote for the substitute nominee designated by the Board of Directors.
Our directors, each of whom is standing for reelection are:

- Stephen Nussdorf - Age 63. Mr. Nussdorf was appointed Chairman of our Board of Directors in February 2004 and Executive Chairman of the Board of Directors in April 2011. Mr. Nussdorf is also an executive officer of Quality King Distributors, Inc. ("Quality King"), a privately held distributor of pharmaceuticals and health and beauty care products, and he was, until our merger with Model Reorg, Inc. in August 2008 (the "Merger"), President and a Director of Model Reorg, a privately held distributor of fragrance products. Mr. Nussdorf joined Quality King in 1972 and Model Reorg in 1996 and has served in various capacities in all divisions of their businesses. Mr. Nussdorf brings to the Board critical insights into the consumer product and wholesale markets in which we operate. He is an experienced business leader with the vision and skills appropriate to serve as Executive Chairman of our Board, and the Board has benefited from his perspectives and leadership.

- Michael W. Katz - Age 66. Mr. Katz joined us in February 2004 as our President and Chief Executive Officer and as a Director. Mr. Katz has served in various capacities at Model Reorg and Quality King and their affiliated companies; he is primarily responsible for overseeing administration, finance, mergers and acquisitions. Mr. Katz has participated in the design and implementation of the business strategy that has fostered the growth of Perfumania Holdings, Inc. and Quality King and their affiliated companies. From 1994 until 1996 he was Senior Vice President of Quality King. Since 1996, he has served as Executive Vice President of Quality King and was also Executive Vice President and a Director of Model Reorg. Mr. Katz is a Certified Public Accountant. Mr. Katz's strong executive leadership, financial and management experience, business acumen and knowledge of our suppliers, customers and channels of distribution are highly valued by the Board.
- Carole Ann Taylor - Age 69. Ms. Taylor was appointed a Director in June 1993. Ms. Taylor has been in the specialty and travel retail business for more than twenty-five years. She is the President and CEO of her family-owned businesses, Miami To Go and Little Havana To Go, and a partner in Cultures To Go, with locations at Miami International Airport and Miami's Little Havana. She is a member of the Executive Committee of the Greater Miami Convention and Visitors Bureau and chairperson of their Multicultural Tourism Committee. She serves on the Board of Directors of the Arsht Performing Arts Center and Viernes Culturales. She is a member of the Airport Minority Advisory Council (AMAC), Women Corporate Directors and The Commonwealth Institute. Ms. Taylor brings to the Board extensive management and retail expertise, as well as familiarity with our markets. She serves on the Board's Audit, Compensation and Stock Option Committees, and the Board has benefited from her contributions in those areas.

- Joseph Bouhadana - Age 44. Mr. Bouhadana is Vice President Technology for INTCOMEX, a distributor of branded computer components, generic accessories and networking peripherals into the Latin America and Caribbean regions with thirteen offices in ten countries. He served as Corporate Director of Technology for INTCOMEX from January 2005 to February 2013 and as Vice President of Information Technology of Tutopia.com, a privately owned Internet service provider with a presence in nine countries in Latin America, from September 2000 to January 2005. Previously, Mr. Bouhadana was the Director of Information Technology of Parker Reorder, a publicly traded company specializing in hospitality business to business procurement, distribution and logistics systems. Mr. Bouhadana's strong technical and operational skills are an important asset to our Board. He also serves on the Audit, Compensation and Stock Option Committees, to which he makes valuable contributions.

- Paul Garfinkle - Age 73. Mr. Garfinkle joined our Board of Directors in February 2004. Mr. Garfinkle retired from the public accounting firm of BDO Seidman, LLP in June 2000 after a thirty-six year career. While at BDO Seidman, LLP, Mr. Garfinkle was an audit partner and client service director for many of the firm's most significant clients. He also served for many years as a member of the firm's board of directors and, during his last six years at the firm, as National Director of Real Estate. Mr. Garfinkle has extensive experience in the areas of accounting, finance, audit, and taxation and valuable knowledge of financial and regulatory reporting requirements. He serves as Chair of the Board's Audit Committee, where his leadership and independence serve the company well.

- Frederick E. Purches - Age 75. Mr. Purches became a director in April 2012, upon our acquisition of Parlux Fragrances, Inc. ("Parlux"). He had been Chairman of the Board of Directors and Chief Executive Officer of Parlux since January 2010. Mr. Purches founded Parlux in 1984, and served from 1984 until 2005 in a variety of capacities including as the Chairman and Vice Chairman of the Board of Directors. Mr. Purches has been engaged in the cosmetic and fragrance business for over 40 years, including in various executive capacities with Helena Rubinstein/Armani, Inc. and Revlon, Inc. Mr. Purches's extensive experience in the industry, as well as his deep familiarity with the licensing activities that are critical to our success, make him a valuable member of the Board.

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- Esther Egozi Choukroun - Age 52. Ms. Egozi Choukroun became a director in April 2012, upon our acquisition of Parlux. Ms. Egozi Choukroun had served as an independent director of Parlux since October 2000, during which time she served as Chairman and/or as a member of various committees. Since 2002, Ms. Egozi Choukroun has been the Chief Financial Officer of Flagler Investment Property Group, a privately held commercial real estate group specializing in private equity, asset management, consulting and brokerage services. Ms. Egozi Choukroun was employed by Banque Nationale de Paris, Miami, from 1984 through 1996, serving as Senior Vice President and Deputy General Manager from 1988 through 1996. From 1997 through 1999, she was Director of International Philanthropy at the Mount Sinai Medical Center Foundation, and through 2002 was Executive Director of the Women's International Zionist Organization for Florida. Ms. Egozi Choukroun currently serves as a member of the Advisory Board of the Scott Rakow Youth Center which is run by the Parks and Recreation Department of the City of Miami Beach. She is also currently a member of the Educational Excellence School Advisory Council (EESAC) for Miami Beach Senior High School. Ms. Egozi Choukroun possesses extensive executive and financial experience which provides the Board of Directors with her valuable experience in the areas of senior management, finance and banking.

- Glenn H. Gopman - Age 58. Mr. Gopman became a director in April 2012, upon our acquisition of Parlux. Mr. Gopman is a Certified Public Accountant and had served as an independent director of Parlux since October 1995. Since 2003, Mr. Gopman has owned and operated an independent certified public accounting practice. He is presently a partner with the public accounting firm of Stroemer & Company, LLC. Until 2013, he was a principal stockholder in the public accounting firm of Levi & Gopman, P.A. Until 2002, he was a partner in the public accounting firm of Rachlin Cohen & Holtz LLP. Before that, Mr. Gopman was a principal stockholder in the public accounting firm of Thaw, Gopman and Associates, P.A. He is a member of the American and Florida Institutes of Certified Public Accountants. Mr. Gopman has been a member of the F.I.C.P.A. Management of Accounting Practice Section Steering Committee. He is an officer and director of The Hebrew Free Loan Association of South Florida, Inc., a non-profit organization. Mr. Gopman possesses extensive accounting experience as a Certified Public Accountant practicing in the area of public accounting, which provides the Board of Directors with his valuable experience counseling companies with respect to the implementation and impact of accounting policies, and the use of management judgment and estimates regarding such accounting policies. He was appointed to the Compensation Committee on January 10, 2013.

- Robert Mitzman - Age 59. Mr. Mitzman became a director in April 2012, upon our acquisition of Parlux. Mr. Mitzman had served as an independent director of Parlux since February 2007. Since 1981, he has served as President and Chief Executive Officer of Quick International Courier, a privately held courier company, with over 600 employees and over 4,000 agents and worldwide offices. Mr. Mitzman currently serves on the board of directors of Esquire Bank Corp. He is a member of the Young Presidents Organization (YPO/WPO) and served on the board of directors of Orbit International Corp. until December 2008. Mr. Mitzman brings to the Board of Directors extensive executive experience as a Chief Executive Officer, including leading an organization with global operations, experience in the human resources area managing a numerous and diverse pool of employees, and growing a business while managing the proper allocation of resources and cost structure.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE “FOR” THE ELECTION OF ALL NOMINEES NAMED ABOVE TO THE BOARD OF DIRECTORS.

BOARD OF DIRECTORS COMMITTEES AND DIRECTOR INDEPENDENCE

The Board of Directors has determined that Joseph Bouhadana, Esther Egozi Choukroun, Paul Garfinkle, Glenn H. Gopman, Robert Mitzman and Carole Ann Taylor (the “Independent Board Members”) are independent, as defined by Nasdaq Stock Market rules. Our Board of Directors has a standing Audit Committee, Compensation Committee and Stock Option Committee.

For the fiscal year ended February 1, 2014, Carole Ann Taylor, Joseph Bouhadana, Paul Garfinkle (Chairman) and Anthony D'Agostino were the members of our Audit Committee. On May 12, 2014 Anthony D’Agostino resigned as a director and a member of the Audit Committee. The Audit Committee is governed by a written charter adopted by the Board of Directors. The duties and responsibilities of the Audit Committee include: (a) assisting our Board in its oversight of the integrity of our financial statements, (b) the selection and retention of our independent registered public accounting firm and any termination of engagement, (c) reviewing the scope and results of audits and other services provided by our independent registered public accounting firm, (d) reviewing our significant accounting policies and internal controls and (e) exercising general responsibility for all related auditing matters. A copy of the charter is posted on our website at www.perfumaniaholdingsinc.com/auditcommittee.aspx. The Board of Directors has determined that Paul Garfinkle is an “audit committee financial expert” as defined by SEC rules. The Audit Committee held four meetings during the fiscal year ended February 1, 2014.

For the fiscal year ended February 1, 2014, Carole Ann Taylor, Joseph Bouhadana and Glenn H. Gopman were the members of our Compensation Committee. The Compensation Committee is responsible for developing and approving the compensation program for our executive officers and directors, and it reviews and approves the specific compensation of our executive officers, including salaries, bonuses and benefit plans. The Compensation Committee is governed by a written charter adopted by the Board of Directors. A copy of the charter is posted on our website at: www.perfumaniaholdingsinc.com/compensationcommittee.aspx. To assist our Compensation Committee in performing its duties, our Chief Executive Officer may provide recommendations concerning the compensation of executive officers, excluding himself; and may also provide our Compensation Committee information regarding an executive officer's performance in light of our overall business and financial results of operations. Our Compensation Committee considers, but is not bound to accept, our Chief Executive Officer's recommendations with respect to executive compensation. While the Compensation Committee may utilize compensation survey data which the Compensation Committee considers comparable or relevant to our own business, our Compensation Committee does not use a specific formula to set executive pay in relation to this market data; nor does our Compensation Committee utilize any formulization directly tied to our financial results of operations. The Compensation Committee did not hold any meetings during the fiscal year ended February 1, 2014.

For the fiscal year ended February 1, 2014, Carole Ann Taylor and Joseph Bouhadana were also the members of the Stock Option Committee. The Stock Option Committee administers our equity compensation plans. The Stock Option Committee did not hold any meetings during the fiscal year ended February 1, 2014.

We do not have a nominating or similar committee. The Independent Board Members perform the functions of a nominating committee, including reviewing and recommending candidates for directors. The Board of Directors believes that it is not necessary to have a nominating committee because the Independent Board Members adequately perform the same functions as a nominating committee.

If a shareholder wishes to recommend a nominee for director, written notice should be sent to the Corporate Secretary in accordance with the instructions set forth later in this proxy statement under “Shareholder Proposals for the 2015 Annual Meeting.” All recommendations should be accompanied by a complete statement of such person's qualifications (including education, work experience, knowledge of our industry, membership on the Board of Directors of another corporation, and civic activity) and an indication of the person's willingness to serve. The Independent Board Members will evaluate the suitability of potential candidates nominated by shareholders in the same manner as other candidates identified to the Independent Board Members.

In making its nominations, the Independent Board Members identify candidates who meet the current challenges and needs of the Board of Directors. In making such decisions, the Independent Board Members consider,

among other things, an individual's business experience, industry experience, financial background and experiences and whether the individual meets the independence requirements of the Nasdaq Stock Market rules. The Independent Board Members use multiple sources for identifying and evaluating nominees for director, including referrals from current directors, recommendations by shareholders and input from third party executive search firms. The Board does not have a formal diversity policy. In identifying nominees for directors, however, consideration is given to the diversity of professional experience, education, backgrounds and skills among the directors so that a variety of experience and points of view are represented in Board discussions and deliberations concerning our business.

During the fiscal year ended February 1, 2014, our Board of Directors held four meetings. Our policy requires directors to attend our annual shareholder meetings, barring special circumstances. All but two of our directors attended the 2013 Annual Meeting.

BOARD LEADERSHIP STRUCTURE AND RISK OVERSIGHT

The Board does not have a policy regarding the separation of the roles of Chief Executive Officer and Executive Chairman of the Board, as the Board believes it is in our best interests to make the determination based on an assessment of the current condition of our Company and of the composition of the Board. Stephen Nussdorf is a principal shareholder of the Company and, thus, is a strong representative of the shareholders' interests on the Board, independent of management. The Board has determined that having Mr. Nussdorf serve as the Executive Chairman of the Board and having Mr. Katz serve as the Chief Executive Officer is in the best interest of our shareholders at this time. This structure makes the best use of the Chief Executive Officer's extensive knowledge of the Company and its industry, while also providing effective Board leadership through the Chairman, thereby fostering communication between management and the Board.

The Board is responsible for monitoring the risks that affect the Company, including operational, legal, regulatory, strategic and financial risks, which our Board seeks to mitigate through careful planning and execution. Management provides the Board with updates regarding key aspects of the Company's principal operations and risks as part of routine Board meetings and updates them as needed. The Board is responsible for assessing risks based on such information, as well as their working knowledge of the Company and the risks inherent in its business. Board members have the opportunity to provide input and direction to management on managing our risks. In addition, the Audit Committee monitors the Company's financial and audit-related risks.

DIRECTOR COMPENSATION

We pay each nonemployee Board Member a $25,000 annual retainer. In addition, directors earn $10,000 per year for service as Chair of the Audit Committee, $5,000 per year for other members of the Audit Committee, $3,000 per year for service as Chair of each other Committee of the Board of Directors, and $2,500 per year for other members of each other Committee. We also reimburse their expenses in connection with their activities as directors.

Nonemployee directors are eligible to receive stock options under our 2010 Equity Incentive Plan. They receive a grant of options for 10,000 shares upon initial election to the Board, to vest annually over three years dependent on continued Board service, and a grant of options for 5,000 shares upon annual reelection to the Board, vested immediately. All such options have an exercise price equal to the fair market value of a share of our common stock on the date of the grant.

Neither Mr. Nussdorf nor Mr. Katz receives any compensation for his service as a director.

The following table sets forth certain information regarding the compensation of our nonemployee directors for fiscal 2013:

Name	Fees Earned or Paid in Cash ($)	Options Awards ($)(1)(2)	Total ($)
Carole Ann Taylor	32,500	17,612	50,112
Joseph Bouhadana	33,000	17,612	50,612
Paul Garfinkle	35,000	17,612	52,612
Frederick E. Purches	25,000	17,612	42,612
Anthony D'Agostino (3)	30,000	17,612	47,612
Esther Egozi Choukroun	25,000	17,612	42,612
Glenn H. Gopman	27,500	17,612	45,112
Robert Mitzman	25,000	17,612	42,612

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(1) Amounts listed represent the grant date fair value of the stock option awards. For additional information regarding the
assumptions used to calculate these amounts, see Note 12 to the consolidated financial statements included in our 2013 Form 10-K.

(2) As of February 1, 2014, Perfumania's nonemployee directors held outstanding stock options in the following amounts: Carole Ann Taylor (40,000); Joseph Bouhadana (42,000); Paul Garfinkle (41,500); Frederick E. Purches (81,665); Anthony D'Agostino (43,997); Esther Egozi Choukroun (43,997); Glenn H. Gopman (43,997) and Robert Mitzman (27,999).

(3) Resigned from the Board of Directors on May 12, 2014.

PROPOSAL 2 - RATIFICATION OF THE APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Audit Committee has engaged CohnReznick LLP as our independent registered public accounting firm for the fiscal year ending January 31, 2015 (fiscal 2014). CohnReznick LLP audited our financial statements for fiscal 2013. One or more representatives of CohnReznick LLP are expected to be present at the Annual Meeting. They will have the opportunity to make a statement if they desire to do so and are expected to be available to respond to appropriate questions from shareholders.

Although ratification by our shareholders is not required by our by-laws or otherwise, the Audit Committee believes that it is appropriate to seek shareholder ratification of this appointment in light of the critical role played by the independent registered public accounting firm. The shareholder vote is advisory only, but in the event this ratification is not received, the Audit Committee will reconsider the selection of CohnReznick LLP.

Principal Accountant Fees and Services

The aggregate fees billed by CohnReznick LLP for fiscal 2013 and fiscal 2012 are as follows:

Fees	Fiscal 2013	Fiscal 2012
Audit Fees (1)	$540,000	$625,000
Audit-Related Fees (2)	—	26,000
Tax Fees	—	—
All Other Fees	—	—
Total Fees	$540,000	$651,000

(1) "Audit Fees" consist of fees billed for professional services rendered in connection with the audit of our consolidated annual financial statements and the review of our interim consolidated financial statements included in quarterly reports.

(2) Audit-related fees consist of fees billed in connection with the Parlux merger.

The Audit Committee considered and determined that the provision of services as described above was compatible with maintaining CohnReznick LLP's independence. The Audit Committee pre-approved the engagement of CohnReznick LLP for all professional services. The pre-approval process generally involves the full Audit Committee's evaluating and approving the particular engagement before the commencement of services.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE “FOR” THE PROPOSAL TO RATIFY THE APPOINTMENT OF COHNREZNICK LLP AS OUR
INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR THE
FISCAL YEAR ENDING JANUARY 31, 2015.

REPORT OF THE AUDIT COMMITTEE

The following report concerns the Audit Committee's activities regarding oversight of our accounting, auditing and financial reporting process.

As described more fully in its charter, the purpose of the Audit Committee is to act on behalf of the Board of Directors in its oversight of our internal control, accounting, auditing and financial reporting functions. Management is responsible for the preparation, presentation and integrity of our financial statements, accounting and financial reporting principles and internal controls and procedures designed to ensure compliance with accounting standards, applicable laws and regulations. Our independent registered public accounting firm is responsible for performing an independent audit of our consolidated financial statements in accordance with generally accepted auditing standards. The Audit Committee members are not professional accountants or auditors, and their functions are not intended to duplicate or to certify the activities of management and the independent registered public accounting firm, nor can the Audit Committee certify that the independent registered public accounting firm is “independent” under applicable rules. The Committee serves a board-level oversight role, in which it provides advice, counsel and direction to management and the independent registered public accounting firm on the basis of several factors, including the information it receives, discussions with management and the auditors and the experience of the Committee's members in business, financial and accounting matters.

Among other matters and in accordance with the Sarbanes-Oxley Act of 2002, the Audit Committee monitors the activities and performance of our independent registered public accounting firm, including the audit scope, external audit fees, auditor independence matters and the extent to which the independent registered public accounting firm may be retained to perform non-audit services. The Audit Committee has ultimate authority and responsibility to select, evaluate and, when appropriate, replace our independent registered ptyle="PADDING-BOTTOM: 3px; BACKGROUND-COLOR: #ffffff; WIDTH: 1%; FONT-FAMILY: Times New Roman, Times, serif; MARGIN-LEFT: 0pt; FONT-SIZE: 10pt; VERTICAL-ALIGN: bottom" id=TBL487.finRow.22.trail.9 noWrap>) $(0.03) $(2.21)

Weighted average shares outstanding

24,765,307 20,166,240 12,502,908

See accompanying notes to condensed consolidated financial statements.

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GEOVAX LABS, INC.

(A DEVELOPMENT STAGE ENTERPRISE)

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	Three Months Ended March 31,		From Inception (June 27, 2001) to March 31, 2014
	2014	2013	
Cash flows from operating activities:			
Net loss	$(615,918)	$(696,797)	$(27,668,003)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization	16,372	17,550	754,514
Accretion of preferred stock redemption value	-	-	346,673
Stock-based compensation expense	26,307	265,825	7,187,016
Changes in assets and liabilities:			
Grant funds receivable	140,909	52,434	-
Prepaid expenses and other current assets	5,801	(6,248)	(37,768)
Deposits and other assets	-	-	(11,010)
Accounts payable and accrued expenses	(77,006)	22,747	235,343
Total adjustments	112,383	352,308	8,474,768
Net cash used in operating activities	(503,535)	(344,489)	(19,193,235)
Cash flows from investing activities:			
Purchase of property and equipment	-	-	(625,093)
Proceeds from sale of property and equipment	-	-	5,580
Net cash used in investing activities	-	-	(619,513)
Cash flows from financing activities:			
Net proceeds from sale of common stock	-	1,060,000	17,479,801
Net proceeds from sale of preferred stock	-	-	4,343,273
Net cash provided by financing activities	-	1,060,000	21,823,074
Net increase (decrease) in cash and cash equivalents	(503,535)	715,511	2,010,326
Cash and cash equivalents at beginning of period	2,513,861	1,035,925	-
Cash and cash equivalents at end of period	$2,010,326	$1,751,436	$2,010,326

Supplemental disclosure of cash flow information:			
Interest paid	$-	$-	$5,669

Supplement disclosure of non-cash investing and financing activities:

As discussed in Note 6, during the three months ended March 31, 2014, an aggregate of 71 shares of Series A Convertible Preferred Stock were converted into 202,857 shares of common stock, and an aggregate of 350 shares of Series B Convertible Preferred Stock were converted into 1,000,000 shares of common stock.

See accompanying notes to condensed consolidated financial statements.

GEOVAX LABS, INC.

(A DEVELOPMENT-STAGE ENTERPRISE)

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2014

(unaudited)

1. Description of Company and Basis of Presentation

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

Our most advanced vaccines under development address the clade B subtype of the HIV virus that is most prevalent in the United States and western Europe. Our vaccines are being evaluated to determine their potential to (a) prevent HIV infection and (b) to serve as a therapy for individuals who are already infected with HIV. These vaccines are currently being evaluated in humans -- both in those infected with HIV and those who are not. Our goal is to build a profitable company by generating income from products we develop and commercialize, either alone or with one or more potential strategic partners.

We are devoting substantially all of our present efforts to research and development and GeoVax is a development stage enterprise as defined by Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic 915, *Development Stage Entities*. We have funded our activities to date from government grants and clinical trial assistance, and from sales of our equity securities. We will continue to require substantial funds to continue these activities. We believe that our existing cash resources, combined with the proceeds from the NIH grants discussed in Note 8, will be sufficient to fund our planned operations into the first quarter of 2015. We expect we will need to raise additional funds and are currently exploring sources of non-dilutive capital through government grant programs and clinical trial support. We also intend to conduct additional offerings of our equity securities or convertible debt instruments. However, additional funding may not be available on favorable terms or at all. If we fail to obtain additional capital when needed, we may be required to delay, scale back, or eliminate some or all of our research and development programs as well as reduce our general and administrative expenses.

The accompanying condensed consolidated financial statements at March 31, 2014 and for the three month periods ended March 31, 2014 and 2013 are unaudited, but include all adjustments, consisting of normal recurring entries, which we believe to be necessary for a fair presentation of the dates and periods presented. Interim results are not necessarily indicative of results for a full year. The financial statements should be read in conjunction with our audited financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2013. We expect our operating results to fluctuate for the foreseeable future; therefore, period-to-period comparisons should not be relied upon as predictive of the results in future periods.

We disclosed in Note 2 to our financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2013 those accounting policies that we consider significant in determining our results of operations and financial position. There have been no material changes to, or in the application of, the accounting policies previously identified and described in the Form 10-K.

2. Recent Accounting Pronouncements

There have been no recent accounting pronouncements or changes in accounting pronouncements during the three months ended March 31, 2014, as compared to the recent accounting pronouncements described in our Annual Report on Form 10-K for the fiscal year ended December 31, 2013, which we expect to have a material impact on our financial statements.

3. Basic and Diluted Loss Per Common Share

Basic net loss per share is computed using the weighted-average number of common shares outstanding during the period. Diluted net loss per share is computed using the weighted-average number of common shares and potentially dilutive common share equivalents outstanding during the period. Potentially dilutive common share equivalents consist of convertible preferred stock, stock options and stock purchase warrants. Common share equivalents which potentially could dilute basic earnings per share in the future, and which were excluded from the computation of diluted loss per share, as the effect would be anti-dilutive, totaled approximately 13.0 million and 11.6 million shares at March 31, 2014 and 2013, respectively.

4. Balance Sheet Components

The tables below provide a breakdown of certain line items on the accompanying condensed consolidated balance sheets.

	March 31, 2014	December 31, 2013
Property and equipment:		
Laboratory equipment	$474,602	$474,602
Leasehold improvements	115,605	115,605
Other furniture, fixtures & equipment	28,685	28,685
Total property and equipment	618,892	618,892
Accumulated depreciation and amortization	(512,537)	(498,666)
Property and equipment, net	$106,355	$120,227
Other assets:		
Technology licenses	$248,855	$248,855
Deposits	11,010	11,010
Accumulated amortization – technology licenses	(241,355)	(238,855)
Total other assets	$18,510	$21,010

5. Commitments

Lease Agreement

We lease approximately 8,400 square feet of office and laboratory space located in Smyrna, Georgia (metropolitan Atlanta). As of March 31, 2014, our future minimum lease payments pursuant to the 62 month operating lease total $96,850 for the remainder of 2014.

Other Commitments

In the normal course of business, we may enter into various firm purchase commitments related to production and testing of our vaccine material, conduct of our clinical trials, and other research-related activities. As of March 31, 2014, we had approximately $54,700 of unrecorded outstanding purchase commitments to our vendors and subcontractors, all of which we expect will be due in 2014.

6. Stockholders' Equity

Preferred Stock Transactions

During the three months ended March 31, 2014 we issued an aggregate of 202,857 and 1,000,000 shares of our common stock related to conversions of our Series A and Series B Convertible Preferred Stock, respectively. As of March 31, 2014, there are no shares of our Series A Convertible Preferred Stock outstanding, and 1,300 shares of our Series B Convertible Preferred Stock outstanding, convertible into 3,714,286 shares of our common stock.

Common Stock Transactions

Other than common stock issued pursuant to the conversion of our Series A and Series B Convertible Preferred Stock described above, we issued no shares of our common stock during the three months ended March 31, 2014.

Stock Options

We maintain a stock option plan that provides the Board of Directors broad discretion in creating equity incentives for employees, officers, directors and consultants. The following table presents a summary of stock option transactions during the three months ended March 31, 2014:

	Number of Shares	Weighted Average Exercise Price
Outstanding at December 31, 2013	1,197,044	$ 3.79
Granted	--	--
Exercised	--	--
Forfeited or expired	(201,744)	2.05
Outstanding at March 31, 2014	995,300	$ 4.15
Exercisable at March 31, 2014	629,293	$ 6.19

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Stock Purchase Warrants

We have issued stock purchase warrants in connection with financing transactions and also in exchange for services from consultants and others. As of March 31, 2014, there are 8,284,826 stock purchase warrants outstanding, with a weighted average exercise price of $2.07.

Stock-Based Compensation Expense

During the three month period ended March 31, 2014, we recorded share-based compensation expense related to stock options of $26,307, as compared to $47,274 for the three month period ended March 31, 2013. Share-based compensation expense is recognized on a straight-line basis over the requisite service period for the award and is allocated to research and development expense or general and administrative expense based upon the related employee classification. As of March 31, 2014, there was $161,711 of unrecognized compensation expense related to stock options, which is expected to be recognized over a weighted average period of 2 years.

During the three month period ended March 31, 2013, we recorded an aggregate of $218,551 of general and administrative expense associated with certain modifications to then-outstanding stock purchase warrants.

Common Stock Reserved

A summary of our common stock reserved for future issuance is as follows as of March 31, 2014:

Series B Convertible Preferred Stock	3,714,286
Common Stock Purchase Warrants	8,284,826
Equity Incentive Plans	1,197,529
Total	13,196,641

7. Income Taxes

Because of our historically significant net operating losses, we have not paid income taxes since inception. We maintain deferred tax assets that reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. These deferred tax assets are comprised primarily of net operating loss carryforwards and also include amounts relating to nonqualified stock options and research and development credits. The net deferred tax asset has been fully offset by a valuation allowance because of the uncertainty of our future profitability and our ability to utilize the deferred tax assets. Utilization of operating losses and credits may be subject to substantial annual limitations due to ownership change provisions of Section 382 of the Internal Revenue Code. The annual limitation may result in the expiration of net operating losses and credits before utilization.

8. Government Grants

In September 2007, the NIH awarded us an Integrated Preclinical/Clinical AIDS Vaccine Development (IPCAVD) grant to support our HIV/AIDS vaccine program. We are utilizing this funding to further our HIV/AIDS vaccine development, optimization and production. The aggregate award (including subsequent amendments) totaled approximately $20.4 million and, as of March 31, 2014, there is $596,801 of unrecognized grant funds remaining and available for use through the end of the grant period (August 31, 2014).

In July 2013, the NIH awarded us a Small Business Innovative Research (SBIR) grant entitled “Enhancing Protective Antibody Responses for a GM-CSF Adjuvanted HIV Vaccine.” The grant award of approximately $277,000 is for the first year of a two year project period beginning August 1, 2013 and, as of March 31, 2014, there is $68,139 of unrecognized grant funds remaining and available for use through the end of the grant period (July 31, 2014).

We record revenue associated with these grants as the related costs and expenses are incurred and such revenue is reported as a separate line item in our statements of operations. During the three months ended March 31, 2014 and 2013, we recorded $157,340, and $797,040, respectively, of revenue associated with these grants.

9. Related Party Transactions

We are obligated to reimburse Emory University (a significant stockholder of the Company) for certain prior and ongoing costs in connection with the filing, prosecution and maintenance of patent applications subject to our technology license agreement from Emory. During the three month period ended March 31, 2014, we recorded $43,919 of general and administrative expense associated with these patent cost reimbursements to Emory.

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

FORWARD LOOKING STATEMENTS

In addition to historical information, the information included in this Form 10-Q contains forward-looking statements. Forward-looking statements involve numerous risks and uncertainties, including but not limited to the risk factors set forth under the heading "Risk Factors" in the Annual Report on Form 10-K for the year ended December 31, 2013, and should not be relied upon as predictions of future events. Certain such forward-looking statements can be identified by the use of forward-looking terminology such as ""believes,'' ""expects,'' ""may,'' ""will,'' ""should,'' ""seeks,'' ""approximately," ""intends,'' ""plans,'' ""pro forma,'' ""estimates,'' or ""anticipates'' or other variations thereof or comparable terminology, or by discussions of strategy, plans or intentions. Such forward-looking statements are necessarily dependent on assumptions, data or methods that may be incorrect or imprecise and may be incapable of being realized. The following factors, among others, could cause actual results and future events to differ materially from those set forth or contemplated in the forward-looking statements:

whether we can raise additional capital as and when we need it;
whether we are successful in developing our products;
whether we are able to obtain regulatory approvals in the United States and other countries for sale of our products;
whether we can compete successfully with others in our market; and
whether we are adversely affected in our efforts to raise cash by the volatility and disruption of local and national economic, credit and capital markets and the economy in general.

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

Overview

GeoVax is a biotechnology company developing vaccines that prevent and control HIV. Our vaccine technology was developed in collaboration with researchers at Emory University, the NIH, and the CDC. The technology developed by the collaboration is exclusively licensed to us from Emory University. We also have nonexclusive licenses to certain patents owned by the NIH.

Our current vaccines under development address the clade B subtype of the HIV virus that is most prevalent in the United States and much of the developed world. Our vaccines are being evaluated to determine their potential to (a) prevent HIV infection and (b) to serve as a treatment for individuals who are already infected with HIV. These vaccines are currently being evaluated in human clinical trials -- both in those infected with HIV and those who are not.

We have neither received regulatory approval for any of our vaccine candidates, nor do we have any commercialization capabilities; therefore, it is possible that we may never successfully derive significant product revenues from any of our existing or future development programs or product candidates.

We expect for the foreseeable future our operations will result in a net loss on a quarterly and annual basis. As of March 31, 2014, we had an accumulated deficit of approximately $27.7 million.

Critical Accounting Policies and Estimates

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

Our significant accounting policies are summarized in Note 2 to our consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2013. We believe the following critical accounting policies affect our more significant judgments and estimates used in the preparation of our consolidated financial statements:

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, non-refundable fees received in connection with research collaboration agreements. Our revenue consists solely of grant funding received from the NIH. Revenue from this arrangement is approximately equal to the costs incurred and is recorded as income as the related costs are incurred.

Stock-Based Compensation

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

Liquidity and Capital Resources

At March 31, 2014, we had cash and cash equivalents of $2,010,326 and total assets of $2,172,959, as compared to $2,513,861 and $2,839,576, respectively, at December 31, 2013. Working capital totaled $1,812,751 at March 31, 2014, compared to $2,385,990 at December 31, 2013.

Sources and Uses of Cash

We are a development-stage company as defined by Financial Accounting Standards Board (FASB), Accounting Standards Codification (ASC), Topic 915, *Development Stage Entities*, and do not have any products approved for sale. Due to our significant research and development expenditures, we have not been profitable and have generated operating losses since our inception in 2001. Our primary sources of cash are from sales of our equity securities and from government grant funding and clinical trial assistance.

Cash Flows from Operating Activities

Net cash used in operating activities was $503,535 for the three month period ended March 31, 2014 as compared to $344,489 for the comparable period in 2013. Generally, the differences between periods are due to fluctuations in our net losses, offset by non-cash charges such as depreciation and stock-based compensation expense, and by net changes in our assets and liabilities. Our net losses generally fluctuate based on expenditures for our research activities, offset by government grant revenues.

The NIH has funded the costs of conducting all of our human clinical trials (Phase 1 and Phase 2a) to date for our preventive vaccines, with GeoVax incurring costs associated with manufacturing the clinical vaccine supplies and other study support. We are currently in planning discussions with the HVTN for the next stage of our preventive clinical trials, and several scenarios are being considered. We expect the next clinical trial to begin during 2015 and to be fully funded by the NIH, with specific details of the study determined after further data analysis and input from the HVTN and NIH in mid-2014. Until the next trial begins, however, we cannot be fully assured of the level of support, if any, we will receive from the HVTN or the NIH for this clinical trial.

We recently completed a Phase 1 clinical trial (GV-TH-01) investigating the therapeutic use of our GOVX-B11 vaccine in HIV-infected patients. GV-TH-01 is an open label Phase 1 treatment interruption trial investigating the safety and immunogenicity of GOVX-B11 in 9 HIV-infected patients who initiated drug treatment within 18 months of seroconversion and had stably controlled virus for at least 6 months. An exploratory objective of the study is to evaluate the ability of the vaccinated patient to control re-emergent virus during the drug treatment interruption period. We received no federal assistance in conducting this study. In a follow-on study, we are formulating plans for an additional Phase 1 clinical trial investigating the treatment of HIV-positive individuals with the adjuvanted version of our vaccine (GOVX-B21) in combination with standard-of-care antiretroviral drug therapy. The primary and secondary objectives of the study will be to evaluate the safety and immunogenicity of our vaccine. An exploratory objective will be to investigate the vaccine’s effect on reducing viral reservoirs. Initiation of this trial, which we expect will cost between $2-3 million, will be dependent upon our ability to secure the required funding. We plan to seek funding from the NIH to conduct this trial, but we will also consider obtaining funds from issuance of our equity securities or other sources.

In addition to clinical trial support from the NIH, our operations are partially funded by NIH research grants. We record the funding we receive pursuant to these grants as revenue at the time the related expenditures are incurred. In September 2007, the NIH awarded us an Integrated Preclinical/Clinical AIDS Vaccine Development (IPCAVD) grant to support our HIV/AIDS vaccine program. We are utilizing this funding to further our HIV/AIDS vaccine development, optimization and production. The aggregate award (including subsequent amendments) totaled approximately $20.4 million, and there is $596,801 remaining and available for use as of March 31, 2014. In July 2013, the NIH awarded us a Small Business Innovative Research (SBIR) grant to support preclinical studies evaluating the ability of protein boosts to augment antibody responses. The grant award of approximately $277,000 is for the first year of a two year project period beginning August 1, 2013, and there is $68,139 remaining and available for use as of March 31, 2014.

We intend to pursue additional grants from the federal government but cannot be assured of success. As we progress to the later stages of our vaccine development activities, government financial support may be more difficult to obtain, or may not be available at all. Therefore, it will be necessary for us to look to other sources of funding in order to finance our clinical trials and other vaccine development activities.

Cash Flows from Investing Activities

Our investing activities have consisted predominantly of capital expenditures. There were no capital expenditures during the three months ended March 31, 2014 or for the comparable period in 2013.

Cash Flows from Financing Activities

Net cash provided by financing activities was $-0- for the three month period ended March 31, 2014, as compared to $1,060,000 for the comparable period in 2013. The cash generated by our financing activities during the three month period ended March 31, 2013 relates to the exercise of certain stock purchase warrants.

Our capital requirements, particularly as they relate to our research and development activities, have been and will continue to be significant. We anticipate incurring additional losses for several years as we expand our clinical programs and proceed into higher cost human clinical trials. Conducting clinical trials for our vaccine candidates in development is a lengthy, time-consuming and expensive process. We will not generate revenues from the sale of our technology or products for at least several years, if at all. For the foreseeable future, we will be dependent on obtaining financing from third parties in order to maintain our operations, including our clinical program. Such 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 expect that our current working capital combined with the remaining available funds from the NIH grants will be sufficient to support our planned level of operations into the first quarter of 2015. We anticipate raising additional capital during 2014, although there can be no assurance that we will be able to do so. While we believe that we will be successful in obtaining the necessary financing to fund our operations through government grants and clinical trial support, exercise of stock purchase warrants, and/or other sources, there can be no assurances that such additional funding will be available to us on reasonable terms or at all. Should the financing we require to sustain our working capital needs be unavailable or prohibitively expensive when we require it, the consequences could have a material adverse effect on our business, operating results, financial condition and prospects.

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, 2014, we had noncancellable lease obligations and other firm purchase obligations totalling approximately $151,500, as compared to approximately $206,000 at December 31, 2013. We have no committed lines of credit and no other committed funding or long-term debt. We have employment agreements with our senior management team, each of which may be terminated with 30 days advance notice. There have been no other material changes to the table presented in our Annual Report on Form 10-K for the year ended December 31, 2013.

Results of Operations

Net Loss

We recorded a net loss of $615,918 for the three months ended March 31, 2014, as compared to $696,797 for the three months ended March 31, 2013. Our net losses 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

During the three months ended March 31, 2014, we recorded grant revenue of $157,340, as compared to $797,040 during the comparable period of 2013. Grant revenues relate to grants from the NIH in support of our HIV vaccine development activities (see discussion under “Liquidity and Capital Resources” above). We record revenue associated with these grants as the related costs and expenses are incurred. The difference in our grant revenues from period to period is directly related to our expenditures for activities supported by the grants, and can fluctuate significantly based on the timing of the related expenditures. There is an aggregate of approximately $665,000 in approved grant funds remaining and available for use as of March 31, 2014, which we anticipate recognizing as revenue during the remainder of 2014.

Research and Development

During the three months ended March 31, 2014, we recorded $402,860 of research and development expense, as compared to $881,988 during the three months ended March 31, 2013. Research and development expense for these periods includes stock-based compensation expense of $9,138 and $12,063 for the 2014 and 2013 periods, respectively (see discussion under “Stock-Based Compensation Expense” below).

Our research and development expenses can fluctuate considerably on a period-to-period basis. The overall decrease in research and development expense during the three months ended March 31, 2014, as compared to the 2013 period, can mostly be attributed to lower expenditures related to our grants from the NIH, and lower expenditures associated with the conduct of a Phase 1 trial of our therapeutic HIV vaccine, which was completed during the first quarter of 2014. We have not received any government support for clinical trials of our therapeutic vaccine. Our research and development costs do not include costs incurred by the HVTN in conducting clinical trials of our preventive HIV vaccines; those costs are funded directly by the NIH.

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 increase in the future as we progress into the later stage human clinical trials.

Our vaccine candidates still require significant, time-consuming and costly research and development, testing and regulatory clearances. Completion of clinical development will take several years or more, but the length of time generally varies substantially according to the type, complexity, novelty and intended use of a product candidate. The NIH has funded the costs of conducting all of our completed and ongoing human clinical trials to date for our preventive HIV vaccine, with GeoVax incurring costs associated with manufacturing the clinical vaccine supplies and other study support. We are having discussions with the HVTN and NIH with regard to the conduct of an additional trial of our preventive vaccine, and we expect the NIH will provide support for this trial as well. We intend to seek government and/or third party support for future clinical human trials, but there can be no assurance that we will be successful.

The duration and the cost of future clinical trials may vary significantly over the life of the project as a result of differences arising during development of the human clinical trial protocols, including, among others:

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

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

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

General and Administrative Expense

Our general and administrative expenses were $371,802 during the three months ended March 31, 2014, as compared to $612,943 during the three months ended March 31, 2013. 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 includes stock-based compensation expense of $17,169 and $253,762 for the three months ended March 31, 2014 and 2013, respectively (see discussion under "Stock-Based Compensation Expense" below). Excluding stock-based compensation expense, general and administrative expenses were $354,633 during the three months ended March 31, 2014, as compared to $359,181 during the three months ended March 31, 2013. We expect that our general and administrative costs may increase in the future in support of expanded research and development activities and other general corporate activities.

Stock-Based Compensation Expense

We recorded stock-based compensation expense of $26,307 and $265,825 during the three months ended March 31, 2014 and 2013, respectively, which was allocated to research and development expense or general and administrative expense according to the classification of cash compensation paid to the employee, consultant or director to whom the stock compensation was granted. In addition to amounts related to the issuance of stock options to employees, the figures include amounts related to common stock and stock purchase warrants issued to consultants and others. The overall decrease in stock-based compensation expense during the 2014 period, as compared to 2013, can be attributed to $218,551 of expense recorded in the 2013 period associated with the repricing and extension of certain stock purchase warrants held by investors from a prior financing round in exchange for exercise of a portion of those warrants by the investors. For the three months ended March 31, 2014 and 2013, stock-based compensation expense was allocated as follows:

	Three Months Ended March 31,	
	2014	2013
General and Administrative Expense	$17,169	$253,762
Research and Development Expense	9,138	12,063
Total Stock-Based Compensation Expense	$26,307	$265,825

Other Income

Interest income for the three months ended March 31, 2014 and 2013 was $1,404 and $1.094, respectively. The variances between periods are primarily attributable to cash available for investment and interest rate fluctuations.

Item 3 <u>Quantitative and Qualitative Disclosures About Market Risk</u>

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 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.

Item 4 <u>Controls and Procedures</u>

Evaluation of disclosure controls and procedures

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

Our management has carried out an evaluation, under the supervision and with the participation of our Principal Executive Officer and our Principal Financial and Accounting Officer, of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Exchange Act Rules 13a-15 and 15d-15 as of the end of the period covered by this report. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of the period covered by this report, our disclosure controls and procedures are effective to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms.

Changes in internal control over financial reporting

There was no change in our internal control over financial reporting that occurred during the three months ended March 31, 2014 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.