

SHORE BANCSHARES INC  
Form 10-K/A  
April 09, 2018

**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**FORM 10-K/A**

**(Amendment No. 1)**

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

For the Year Ended December 31, 2017

Commission File No. 0-22345

**SHORE BANCSHARES, INC.**

(Exact name of registrant as specified in its charter)

Maryland 52-1974638  
(State or Other Jurisdiction of (I.R.S. Employer  
Incorporation or Organization) Identification No.)

28969 Information Lane, Easton, Maryland 21601

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(Address of Principal Executive Offices) (Zip Code)

Registrant's Telephone Number, Including Area Code: (410) 763-7800

Securities Registered pursuant to Section 12(b) of the Act:

Title of Each Class:	Name of Each Exchange on Which Registered:
Common stock, par value \$.01 per share	Nasdaq Global Select Market

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.  
" Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 16(d) of the Act. " Yes  No

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K "

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

Large accelerated filer  Accelerated filer   Non-accelerated filer  Smaller reporting company  Emerging growth company



## **Explanatory Note**

This Amendment No. 1 to the Annual Report on Form 10-K (this “Form 10-K/A”) amends the Annual Report on Form 10-K for the fiscal year ended December 31, 2017, originally filed with the Securities and Exchange Commission (the “SEC”) on March 16, 2018 (the “Original Filing”), by Shore Bancshares, Inc. (the “Company”). Although referenced in the opinion of the Company’s independent auditors with respect to the financial statements, the full text of the opinion of the Company’s independent auditor with respect to its internal control over financial reporting was inadvertently omitted from the Original Filing.

Pursuant to Rule 12b-15 promulgated under the Securities and Exchange Act of 1934, as amended, we have included the entire text of Part II, Item 8 in this Form 10-K/A. Part IV, Item 15 has been included to reflect the consents of Yount, Hyde & Barbour, P.C., Dixon Hughes Goodman LLP and Stegman & Company, and updated certifications of the Company’s Chief Executive Officer and Chief Financial Officer.

Except as described above, this Form 10-K/A does not revise, amend, update or in any way affect any information or disclosures contained in the Original Filing, and we have not updated the disclosures contained herein to reflect events that occurred at a later date.

**Item 8. Financial Statements and Supplementary Data.**

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## MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management of Shore Bancshares, Inc. (the "Company") is responsible for the preparation, integrity and fair presentation of the consolidated financial statements included in this annual report. The Company's consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America and, as such, include some amounts that are based on the best estimates and judgments of management.

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting. This internal control system is designed to provide reasonable assurance to management and the Board of Directors regarding the reliability of the Company's financial reporting and the preparation and presentation of financial statements for external reporting purposes in conformity with accounting principles generally accepted in the United States of America, as well as to safeguard assets from unauthorized use or disposition. The system of internal control over financial reporting is evaluated for effectiveness by management and tested for reliability through a program of internal audit with actions taken to correct potential deficiencies as they are identified. Because of inherent limitations in any internal control system, no matter how well designed, misstatement due to error or fraud may occur and not be detected, including the possibility of the circumvention or overriding of controls. Accordingly, even an effective internal control system can provide only reasonable assurance with respect to financial statement preparation. Further, because of changes in conditions, internal control effectiveness may vary over time.

Management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2017 based upon criteria set forth in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 COSO Framework).

Based on this assessment and on the foregoing criteria, management has concluded that, as of December 31, 2017, the Company's internal control over financial reporting is effective. Yount, Hyde & Barbour, the Company's independent registered public accounting firm that audited the financial statements included in this annual report, has issued a report on the Company's internal control over financial reporting, which appears on the following page.

March 16, 2018

/s/ Lloyd L. Beatty, Jr.  
Lloyd L. Beatty, Jr.  
President and Chief Executive Officer  
(Principal Executive Officer)

/s/ Edward C. Allen  
Edward C. Allen  
Senior Vice President and Chief Financial Officer  
(Principal Financial Officer)



## **Report of Independent Registered Public Accounting Firm**

To the Stockholders and the Board of Directors

Shore Bancshares, Inc.

Easton, Maryland

### **Opinion on the Financial Statements**

We have audited the accompanying consolidated balance sheet of Shore Bancshares, Inc. and subsidiaries (the Company) as of December 31, 2017, the related consolidated statements of income, comprehensive income, changes in stockholders' equity and cash flows for the year ended December 31, 2017, and the related notes to the consolidated financial statements (collectively, the financial statements). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2017, and the results of its operations and its cash flows for the year ended December 31, 2017, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2017, based on criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013, and our report dated March 16, 2018 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

### **Basis for Opinion**

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audit included performing procedures to assess the risks of material



misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Yount, Hyde & Barbour, P.C.

We have served as the Company's  
auditor since 2017.

Winchester, Virginia  
March 16, 2018

## **Report of Independent Registered Public Accounting Firm**

To the Stockholders and the Board of Directors

Shore Bancshares, Inc.

Easton, Maryland

### **Opinion on the Internal Control Over Financial Reporting**

We have audited Shore Bancshares, Inc. and subsidiaries' (the Company) internal control over financial reporting as of December 31, 2017, based on criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013. In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2017, based on criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheet as of December 31, 2017, the related consolidated statements of income, comprehensive income, changes in stockholders' equity and cash flows for the year ended December 31, 2017, and the related notes to the consolidated financial statements of the Company and our report dated March 16, 2018 expressed an unqualified opinion.

### **Basis for Opinion**

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting in the accompanying *Management's Report on Internal Control Over Financial Reporting*. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the

PCAOB and are required to be independent with respect to the Company in accordance with U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

### **Definition and Limitations of Internal Control Over Financial Reporting**

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Yount, Hyde & Barbour, P.C.

Winchester, Virginia

March 16, 2018

Report Of Independent Registered Public Accounting Firm

Board of Directors and Stockholders

Shore Bancshares, Inc.

We have audited the accompanying consolidated balance sheet of Shore Bancshares, Inc. (the “Company”) as of December 31, 2016, and the related consolidated statements of income, comprehensive income, changes in stockholders’ equity, and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Shore Bancshares, Inc. as of December 31, 2016 and the results of its operations and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

/s/ Dixon Hughes Goodman LLP

Baltimore, Maryland

March 16, 2017



**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Board of Directors and

Stockholders of Shore Bancshares, Inc.

We have audited the accompanying consolidated statements of income, comprehensive income, changes in stockholders' equity, and cash flows of Shore Bancshares, Inc. (the "Company") for the year ended December 31, 2015. The Company's management is responsible for these financial statements. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. Our audit of the consolidated financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit also included performing such other procedures as we considering necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the results of operations and cash flows of Shore Bancshares, Inc. for the year ended December 31, 2015 in conformity with accounting principles generally accepted in the United States of America.

/s/ Stegman & Company

Baltimore, Maryland

March 11, 2016

## SHORE BANCSHARES, INC.

## CONSOLIDATED BALANCE SHEETS

December 31,

(In thousands, except share data)	2017	2016
<b>ASSETS</b>		
Cash and due from banks	\$21,534	\$14,596
Interest-bearing deposits with other banks	10,286	61,342
Cash and cash equivalents	31,820	75,938
Investment securities:		
Available-for-sale, at fair value	196,955	163,902
Held to maturity, at amortized cost - fair value of \$6,391 (2017) and \$6,806 (2016)	6,247	6,704
Loans	1,093,514	871,525
Less: allowance for credit losses	(9,781 )	(8,726 )
Loans, net	1,083,733	862,799
Premises and equipment, net	23,054	16,558
Goodwill	27,618	11,931
Other intangible assets, net	4,719	1,079
Other real estate owned, net	1,794	2,477
Other assets	17,920	18,883
<b>TOTAL ASSETS</b>	<b>\$1,393,860</b>	<b>\$1,160,271</b>
<b>LIABILITIES</b>		
Deposits:		
Noninterest-bearing	\$328,322	\$261,575
Interest-bearing	874,459	735,914
Total deposits	1,202,781	997,489
Short-term borrowings	21,734	3,203
Other liabilities	5,609	5,280
<b>TOTAL LIABILITIES</b>	<b>1,230,124</b>	<b>1,005,972</b>
<b>STOCKHOLDERS' EQUITY</b>		
Common stock, par value \$.01 per share; shares authorized - 35,000,000; shares issued and outstanding - 12,688,224 (2017) and 12,664,797 (2016)	127	127
Additional paid in capital	65,256	64,201
Retained earnings	99,662	90,964
Accumulated other comprehensive loss	(1,309 )	(993 )
<b>TOTAL STOCKHOLDERS' EQUITY</b>	<b>163,736</b>	<b>154,299</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS'S EQUITY</b>	<b>\$1,393,860</b>	<b>\$1,160,271</b>

The notes to the consolidated financial statements are an integral part of these statements.



## SHORE BANCSHARES, INC.

## CONSOLIDATED STATEMENTS OF INCOME

For the Years Ended December 31,

	2017	2016	2015
<b>INTEREST INCOME</b>			
Interest and fees on loans	\$43,617	\$37,155	\$35,126
Interest and dividends on investment securities:			
Taxable	3,847	3,195	3,602
Tax-exempt	3	7	10
Interest on federal funds sold	-	6	3
Interest on deposits with other banks	334	289	130
Total interest income	47,801	40,652	38,871
<b>INTEREST EXPENSE</b>			
Interest on deposits	2,242	2,389	3,331
Interest on short-term borrowings	31	14	15
Total interest expense	2,273	2,403	3,346
<b>NET INTEREST INCOME</b>	45,528	38,249	35,525
Provision for credit losses	2,291	1,848	2,075
<b>NET INTEREST INCOME AFTER PROVISION FOR CREDIT LOSSES</b>	43,237	36,401	33,450
<b>NONINTEREST INCOME</b>			
Service charges on deposit accounts	3,628	3,465	2,867
Trust and investment fee income	1,532	1,442	1,627
Gains on sales and calls of investment securities	5	30	-
Gain on sale of credit card portfolio	-	198	-
Insurance agency commissions	8,837	8,551	8,274
Other noninterest income	3,748	2,959	2,648
Total noninterest income	17,750	16,645	15,416
<b>NONINTEREST EXPENSE</b>			
Salaries and wages	20,011	17,626	17,540
Employee benefits	4,645	3,993	3,905
Occupancy expense	2,696	2,452	2,420
Furniture and equipment expense	1,035	963	926
Data processing	3,680	3,496	3,260
Directors' fees	380	511	470
Amortization of other intangible assets	314	131	133
FDIC insurance premium expense	599	696	1,214

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Other real estate owned expenses, net	272	505	291
Legal and professional fees	2,308	1,875	2,380
Other noninterest expenses	5,262	4,899	4,811
Total noninterest expense	41,202	37,147	37,350
<b>INCOME BEFORE INCOME TAXES</b>	<b>19,785</b>	<b>15,899</b>	<b>11,516</b>
Income tax expense	8,523	6,261	4,408
<b>NET INCOME</b>	<b>\$11,262</b>	<b>\$9,638</b>	<b>\$7,108</b>
Basic net income per common share	\$0.89	\$0.76	\$0.56
Diluted net income per common share	0.89	0.76	0.56
Dividends paid per common share	0.22	0.14	0.04

The notes to the consolidated financial statements are an integral part of these statements.

SHORE BANCSHARES, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the Years Ended December 31,

(Dollars in thousands)	2017	2016	2015
Net income	\$11,262	\$9,638	\$7,108
Other comprehensive (loss)			
Securities available for sale:			
Unrealized holding (losses) on available-for-sale-securities	(150 )	(1,543)	(725 )
Tax effect	45	622	293
Reclassification of gains recognized in net income	(5 )	(30 )	-
Tax effect	2	12	-
Amortization of unrealized loss on securities transferred from available-for-sale to held-to-maturity securities	30	29	76
Tax effect	(12 )	(12 )	(31 )
Net of tax amount	(90 )	(922 )	(387 )
Total other comprehensive (loss)	(90 )	(922 )	(387 )
Comprehensive income	\$11,172	\$8,716	\$6,721

The notes to the consolidated financial statements are an integral part of these statements.

## SHORE BANCSHARES, INC.

## CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

For the Years Ended December 31, 2017, 2016, and 2015

		Additional		Accumulated
Loss from operations	(926,568 )	(644,504 )	(1,658,627 )	(1,401,336 )
Other income (expense):				
Interest income	1,120	14,004	1,990	26,081
Non cash interest on convertible debentures	-	-	-	-
Non cash interest expense on beneficial conversion feature of convertible debentures	-	-	-	-
Total other income (expense)	1,120	14,004	1,990	26,081
Net loss	(925,448 )	\$(630,500 )	(1,656,637 )	\$(1,375,255 )
Net loss per common share: basic and diluted	\$(0.007 )	\$(0.01 )	\$(0.01 )	\$(0.01 )
Weighted average common shares outstanding: basic and diluted	127,546,405	122,716,140	126,669,572	121,660,720

See accompanying notes to financial statements.

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NANOVIRICIDES, INC.  
(A DEVELOPMENT STAGE COMPANY)  
STATEMENTS OF CASH FLOWS  
(UNAUDITED)

	Six Months Ended December 31,		For the Period from May 12, 2005 (Inception) through December 31,
	2009	2008	2009
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Net loss	(1,656,637)	\$(1,375,255)	(13,652,172)
Adjustments to reconcile net loss to net cash used in operating activities:			
Shares and warrants issued for services rendered	99,832	58,000	910,389
Warrants granted to scientific advisory board	81,000	78,000	525,841
Options issued to officers as compensation	-	-	121,424
Depreciation and amortization	7,731	4,615	29,068
Amortization of deferred financing expenses	-	-	51,175
Non cash interest on convertible debentures	-	-	73,930
Non cash interest expense on beneficial conversion feature of convertible debentures	-	-	713,079
Changes in operating assets and liabilities:			
Prepaid expenses	8,641	59,567	(312,904)
Deferred expenses	-	-	(2,175)
Other current assets	2,286	(24,791)	(107,026)
Accounts payable	70,811	(172,913)	505,378
Accounts payable – related parties	656,244	188,111	957,213
Accrued expenses	(4,021)	(72,645)	31,066
Accrued payroll to officers and related payroll tax expense	22,236	(258,432)	54,832
Net cash used in operating activities	(711,877)	(1,515,743)	(10,100,882)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Security deposit	-	24,000	-
Purchases of property and equipment	(148,534)	(498,382)	(851,668)
Trademark and patent costs	(134,958)	(118,073)	(334,123)
Net cash used in investing activities	(283,492)	(592,455)	(1,185,791)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Proceeds from issuance of convertible debentures	-	-	1,000,000
Proceeds from issuance of common stock and warrants in connection with private placements of common stock – net of fees	1,437,450	3,227,554	11,301,926
Proceeds from exercise of stock warrants attached to convertible debentures	1,901,340	-	2,927,590
Stock subscription received	-	-	20
Proceeds from exercise of stock options	-	-	90,000
Net cash provided by financing activities	3,338,790	3,227,554	15,319,536

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NET INCREASE IN CASH AND CASH EQUIVALENTS	2,343,421	1,119,356	4,032,863
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	1,689,442	816,386	-
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$4,032,863	\$1,935,742	\$4,032,863

See accompanying notes to financial statements.

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NANOVICRIDES, INC.  
 (A DEVELOPMENT STAGE COMPANY)  
 STATEMENTS OF CASH FLOWS (CONTINUED)  
 SUPPLEMENTAL DISCLOSURE OF NON-CASH ACTIVITY  
 (UNAUDITED)

During the periods indicated below, the Company had the following non-cash activity:

	Six Months Ended December 31,		For the Period from May 12, 2005 (Inception) through December 31, 2009
	2009	2008	
Common stock issued for services rendered	99,832	\$ 58,000	157,832
Stock options issued to the officers as compensation	-	-	121,424
Stock warrants granted to scientific advisory board	81,000	78,000	159,000
Stock warrants granted to brokers	3,563	9,849	13,412
Common stock issued for interest on debentures	-	-	73,930
Shares of common stock issued in connection with debenture offering	-	-	49,000
Common stock issued upon conversion of convertible debentures	-	-	1,000,000
Debt discount related to beneficial conversion feature of convertible debt	-	-	713,079
Warrants issued in connection with private placement	5,097,300	827,485	7,681,578
Common Stock issued for equipment	-	-	137,500
Common Stock issued upon conversion of accounts payable	25,200	150,000	175,200

See accompanying notes to financial statements.

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NANOVIRICIDES, INC  
(A DEVELOPMENT STAGE COMPANY)  
FOR THE PERIOD FROM MAY 12, 2005 (INCEPTION) TO DECEMBER 31, 2009  
NOTES TO FINANCIAL STATEMENTS  
(Unaudited)

Note 1. Organization and Nature of Business

NanoViricides, Inc. was incorporated under the laws of the State of Colorado on July 25, 2000 as Edot-com.com, Inc., and was organized for the purpose of conducting internet retail sales. On April 1, 2005, Edot-com.com, Inc. was incorporated under the laws of the State of Nevada for the purpose of re-domiciling the Company as a Nevada corporation. On May 12, 2005, the Corporations were merged and Edot-com.com, Inc., a Nevada corporation, became the surviving entity.

On June 1, 2005, Edot-com.com, Inc. (“ECMM”) acquired NanoViricide, Inc., a privately owned Florida corporation (“NVI”), pursuant to an Agreement and Plan of Share Exchange (the “Exchange”). NanoViricides, Inc. was incorporated under the laws of the State of Florida on May 12, 2005.

Pursuant to the terms of the Exchange, ECMM acquired NVI in exchange for an aggregate of 80,000,000 newly issued shares of ECMM common stock resulting in an aggregate of 100,000,000 shares of ECMM common stock issued and outstanding representing 80% of the voting capital stock of ECMM immediately after the Exchange transaction. NVI then became a wholly-owned subsidiary of ECMM. The ECMM shares were issued to the NVI Shareholders on a pro rata basis, on the basis of 4,000 shares of ECMM’s Common Stock for each share of NVI common stock held by such NVI Shareholder at the time of the Exchange.

As a result of the ownership interests of the former shareholders of NVI for financial accounting purposes, the merger between ECMM and NVI has been treated as a reverse acquisition with NVI deemed the accounting acquirer and ECMM deemed the accounting acquiree under the purchase method of accounting in accordance with Statement of Financial Accounting Standards No. 141 “Business Combinations” (“SFAS No. 141”). The reverse merger is deemed a capital transaction and the net assets of NVI (the accounting acquirer) are carried forward to ECMM (the legal acquirer and the reporting entity) at their carrying value before the combination. The acquisition process utilizes the capital structure of ECMM and the assets and liabilities of NVI which are recorded at historical cost. The equity of ECMM is the historical equity of NVI retroactively restated to reflect the number of shares issued by ECMM in the transaction. Accordingly, the financial statements have been prepared to give retroactive effect to May 12, 2005 (date of inception), of the reverse acquisition completed on June 1, 2005, and represent the operations of NVI.

On June 28, 2005, NVI was merged into its parent ECMM and the separate corporate existence of NVI ceased. Effective on the same date, ECMM changed its name to NanoViricides, Inc. and its stock symbol to “NNVC”, respectively. NanoViricides, Inc. is considered a development stage company at this time.

NanoViricides, Inc. (the “Company”), is a nano-biopharmaceutical company whose business goals are to discover, develop and commercialize therapeutics to advance the care of patients suffering from life-threatening viral infections. We are a development stage company with several drugs in various stages of early development. The Company’s drugs are based on several patents, patent applications, provisional patent applications, and other proprietary intellectual property held by TheraCour Pharma, Inc. (“TheraCour®”), to which the Company has licenses in perpetuity for the treatment of the following human viral diseases: Human Immunodeficiency Virus (HIV/AIDS), Influenza including



Asian Bird Flu Virus, Herpes Simplex Virus (HSV), Hepatitis C Virus (HCV), Hepatitis B Virus (HBV), and Rabies. The Company has entered into an Additional License Agreement with TheraCour granting the Company the exclusive licenses in perpetuity for technologies developed by TheraCour for the additional virus types for Dengue viruses, Japanese Encephalitis, West Nile Virus, viruses causing viral Conjunctivitis (a disease of the eye) and Ocular Herpes, and Ebola/Marburg viruses,.

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The Company focuses its research and clinical programs on specific anti-viral therapeutics and is seeking to add to its existing portfolio of products through its internal discovery and clinical development programs and through an in-licensing strategy. To date, the Company has not developed commercialized any product.

### Note 2. Basis of Presentation

The accompanying unaudited interim financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X of the Securities and Exchange Commission for Interim Reporting. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements.

In the opinion of Management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation for the interim periods have been included. Operating results for the six month period ended December 31, 2009, are not necessarily indicative of the results that may be expected for the year ending June 30, 2010. The accompanying financial statements and the information included under the heading "Management's Discussion and Analysis or Plan of Operation" should be read in conjunction with our company's audited financial statements and related notes included in our company's form 10-K for the year ended June 30, 2009.

### Note 3. Summary of Significant Accounting Policies

For a summary of significant accounting policies (which have not changed from June 30, 2009), see the Company's Annual Report on Form 10-K for the year ended June 30, 2009.

### Recently Issued Accounting Pronouncements

On June 5, 2003, the United States Securities and Exchange Commission ("SEC") adopted final rules under Section 404 of the Sarbanes-Oxley Act of 2002 ("Section 404"), as amended by SEC Release No. 33-9072 on October 13, 2009. Under the provisions of Section 404 of the Sarbanes-Oxley Act, public companies and their independent auditors are each required to report to the public on the effectiveness of a company's internal controls. The smallest public companies with a public float below \$75 million have been given extra time to design, implement and document these internal controls before their auditors are required to attest to the effectiveness of these controls. This extension of time will expire beginning with the annual reports of companies with fiscal years ending on or after June 15, 2010. Commencing with its annual report for the fiscal year ending June 30, 2010, the Company will be required to include a report of management on its internal control over financial reporting. The internal control report must include a statement

- Of management's responsibility for establishing and maintaining adequate internal control over its financial reporting;
- Of management's assessment of the effectiveness of its internal control over financial reporting as of year end; and
- Of the framework used by management to evaluate the effectiveness of the Company's internal control over financial reporting.



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Furthermore, it is required to file the auditor's attestation report separately on the Company's internal control over financial reporting on whether it believes that the Company has maintained, in all material respects, effective internal control over financial reporting.

In June 2009, the FASB issued new accounting guidance related to accounting standards codification and the hierarchy of GAAP the "FASB Accounting Standards Codification" ("Codification"), , to become the single official source of authoritative U.S. generally accepted accounting principles ("GAAP") to be applied by nongovernmental entities, superseding existing FASB, American Institute of Certified Public Accountants ("AICPA"), Emerging Issues Task Force ("EITF"), and related accounting literature. Rules and interpretive releases of the Securities and Exchange Commission ("SEC") under authority of federal securities laws are also sources of authoritative U.S. GAAP for SEC registrants. This guidance reorganizes the previously issued GAAP pronouncements into accounting topics and displays them using a consistent structure. The subsequent issuances of new standards will be in the form of Accounting Standards Updates that will be included in the Codification. The guidance is effective for the Company as of the interim period ended September 30, 2009. As the Codification was not intended to change or alter existing GAAP, it did not have an impact on the Company's consolidated financial statements. The only impact will be that references to authoritative accounting literature will be in accordance with the new numbering system prescribed by the Codification.

In August 2009, the FASB issued the FASB Accounting Standards Update No. 2009-04 "Accounting for Redeemable Equity Instruments - Amendment to Section 480-10-S99" which represents an update to section 480-10-S99, distinguishing liabilities from equity, per EITF Topic D-98, Classification and Measurement of Redeemable Securities. The Company does not expect the adoption of this update to have a material impact on its consolidated financial position, results of operations or cash flows.

In August 2009, the FASB issued the FASB Accounting Standards Update No. 2009-05 "Fair Value Measurement and Disclosures Topic 820 – Measuring Liabilities at Fair Value", which provides amendments to subtopic 820-10, Fair Value Measurements and Disclosures – Overall, for the fair value measurement of liabilities. This update provides clarification that in circumstances in which a quoted price in an active market for the identical liability is not available, a reporting entity is required to measure fair value using one or more of the following techniques: 1. A valuation technique that uses: a. The quoted price of the identical liability when traded as an asset b. Quoted prices for similar liabilities or similar liabilities when traded as assets. 2. Another valuation technique that is consistent with the principles of topic 820; two examples would be an income approach, such as a present value technique, or a market approach, such as a technique that is based on the amount at the measurement date that the reporting entity would pay to transfer the identical liability or would receive to enter into the identical liability. The amendments in this update also clarify that when estimating the fair value of a liability, a reporting entity is not required to include a separate input or adjustment to other inputs relating to the existence of a restriction that prevents the transfer of the liability. The amendments in this update also clarify that both a quoted price in an active market for the identical liability when traded as an asset in an active market when no adjustments to the quoted price of the asset are required are Level 1 fair value measurements. The Company does not expect the adoption of this update to have a material impact on its consolidated financial position, results of operations or cash flows.

In September 2009, the FASB issued the FASB Accounting Standards Update No. 2009-08 "Earnings Per Share – Amendments to Section 260-10-S99", which represents technical corrections to topic 260-10-S99, Earnings per share, based on EITF Topic D-53, Computation of Earnings Per Share for a Period that includes a Redemption or an Induced Conversion of a Portion of a Class of Preferred Stock and EITF Topic D-42, The Effect of the Calculation of Earnings per Share for the Redemption or Induced Conversion of Preferred Stock. The Company does not expect the adoption of this update to have a material impact on its consolidated financial position, results of operations or cash flows.

In September 2009, the FASB issued the FASB Accounting Standards Update No. 2009-09 “Accounting for Investments-Equity Method and Joint Ventures and Accounting for Equity-Based Payments to Non-Employees”. This update represents a correction to Section 323-10-S99-4, Accounting by an Investor for Stock-Based Compensation Granted to Employees of an Equity Method Investee. Additionally, it adds observer comment Accounting Recognition for Certain Transactions Involving Equity Instruments Granted to Other Than Employees to the Codification. The Company does not expect the adoption to have a material impact on its consolidated financial position, results of operations or cash flows.

In September 2009, the FASB issued the FASB Accounting Standards Update No. 2009-12 “Fair Value Measurements and Disclosures Topic 820 – Investment in Certain Entities That Calculate Net Assets Value Per Share (or Its Equivalent)”, which provides amendments to Subtopic 820-10, Fair Value Measurements and Disclosures-Overall, for the fair value measurement of investments in certain entities that calculate net asset value per share (or its equivalent). The amendments in this update permit, as a practical expedient, a reporting entity to measure the fair value of an investment that is within the scope of the amendments in this update on the basis of the net asset value per share of the investment (or its equivalent) if the net asset value of the investment (or its equivalent) is calculated in a manner consistent with the measurement principles of Topic 946 as of the reporting entity’s measurement date, including measurement of all or substantially all of the underlying investments of the investee in accordance with Topic 820. The amendments in this update also require disclosures by major category of investment about the attributes of investments within the scope of the amendments in this update, such as the nature of any restrictions on the investor’s ability to redeem its investments at the measurement date, any unfunded commitments (for example, a contractual commitment by the investor to invest a specified amount of additional capital at a future date to fund investments that will be made by the investee), and the investment strategies of the investees. The major category of investment is required to be determined on the basis of the nature and risks of the investment in a manner consistent with the guidance for major security types in U.S. GAAP on investments in debt and equity securities in paragraph 320-10-50-1B. The disclosures are required for all investments within the scope of the amendments in this update regardless of whether the fair value of the investment is measured using the practical expedient. The Company does not expect the adoption to have a material impact on its consolidated financial position, results of operations or cash flows.

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In January 2010, the FASB issued the FASB Accounting Standards Update No. 2010-01 “Equity Topic 505 – Accounting for Distributions to Shareholders with Components of Stock and Cash”, which clarify that the stock portion of a distribution to shareholders that allows them to elect to receive cash or stock with a potential limitation on the total amount of cash that all shareholders can elect to receive in the aggregate is considered a share issuance that is reflected in EPS prospectively and is not a stock dividend for purposes of applying Topics 505 and 260 (Equity and Earnings Per Share (“EPS”)). Those distributions should be accounted for and included in EPS calculations in accordance with paragraphs 480-10-25-14 and 260-10-45-45 through 45-47 of the FASB Accounting Standards codification. The amendments in this Update also provide a technical correction to the Accounting Standards Codification. The correction moves guidance that was previously included in the Overview and Background Section to the definition of a stock dividend in the Master Glossary. That guidance indicates that a stock dividend takes nothing from the property of the corporation and adds nothing to the interests of the stockholders. It also indicates that the proportional interest of each shareholder remains the same, and is a key factor to consider in determining whether a distribution is a stock dividend.

In January 2010, the FASB issued the FASB Accounting Standards Update No. 2010-02 “Consolidation Topic 810 – Accounting and Reporting for Decreases in Ownership of a Subsidiary – a Scope Clarification”, which provides amendments to Subtopic 810-10 and related guidance within U.S. GAAP to clarify that the scope of the decrease in ownership provisions of the Subtopic and related guidance applies to the following:

1. A subsidiary or group of assets that is a business or nonprofit activity
2. A subsidiary that is a business or nonprofit activity that is transferred to an equity method investee or joint venture
3. An exchange of a group of assets that constitutes a business or nonprofit activity for a noncontrolling interest in an entity (including an equity method investee or joint venture).

The amendments in this Update also clarify that the decrease in ownership guidance in Subtopic 810-10 does not apply to the following transactions even if they involve businesses:

1. Sales of in substance real estate. Entities should apply the sale of real estate guidance in Subtopics 360-20 (Property, Plant, and Equipment) and 976-605 (Retail/Land) to such transactions.
2. Conveyances of oil and gas mineral rights. Entities should apply the mineral property conveyance and related transactions guidance in Subtopic 932-360 (Oil and Gas-Property, Plant, and Equipment) to such transactions.

If a decrease in ownership occurs in a subsidiary that is not a business or nonprofit activity, an entity first needs to consider whether the substance of the transaction causing the decrease in ownership is addressed in other U.S. GAAP, such as transfers of financial assets, revenue recognition, exchanges of nonmonetary assets, sales of in substance real estate, or conveyances of oil and gas mineral rights, and apply that guidance as applicable. If no other guidance exists, an entity should apply the guidance in Subtopic 810-10.

Management does not believe that any other recently issued, but not yet effective accounting pronouncements, if adopted, would have a material effect on the accompanying financial statements.

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Reclassification

Certain reclassifications have been made in prior year's financial statements to conform to classification used in the current year. The reclassifications from general and administrative expenses to research and development expenses does not change total operating expenses, operating loss or net loss for any period presented.

Note 4. Substantial Doubt Regarding Ability to Continue as a Going Concern

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. Accordingly, they do not include any adjustments relating to the realization of the carrying value of assets or the amounts and classification of liabilities that might be necessary should the company be unable to continue as a going concern. The Company's significant operating losses and significant capital requirements, however, raise substantial doubt about the Company's ability to continue as a going concern.

Since May 2005, the Company has been engaged exclusively in research and development activities focused on developing targeted nano viral drugs. The Company has not yet commenced any product commercialization. The Company has incurred significant operating losses since its inception, resulting in a deficit accumulated during the development stage of \$13,652,172 at December 31, 2009. Such losses are expected to continue for the foreseeable future and until such time, if ever, as the Company is able to attain sales levels sufficient to support its operations. There can be no assurance that the Company will achieve or maintain profitability in the future. Despite the Company's financings in 2009 and 2008 and a cash and cash equivalent balance of \$4,032,863 at December 31, 2009, substantial additional financing will be required in future periods. The Company believes it will require an additional \$3,000,000 during the next twenty four months, and will also require up to an additional \$2,000,000 to finance planned capital costs, and additional staffing requirements during the next twenty four months. The Company believes it can adjust its priorities of drug development, and its Plan of Operations as necessary if it is unable to raise such funds.

The Company continues to successfully raise additional capital, On September 30, 2009, the Company accepted subscriptions from certain investors in the aggregate amount of \$3,217,400 from the offerings of shares of the Company's common stock and warrants to purchase common stock and the exercise by the Company's warrant holders of their outstanding warrants. The offerings were commenced in June 2009, when the Company's stock price levels were approximately \$0.57. The offerings were closed to investors on August 30, 2009, after an extension by the Company's Board of Directors from the original termination date of August 14, 2009. In the Company's offering of Units comprised of shares of common stock and warrants to purchase common stock, the Company accepted subscriptions for \$1,337,500 for Units consisting of 2,675,000 shares and Warrants to purchase an additional 1,337,500 shares. In the offering to its warrant holders, the Company raised an aggregate of \$1,879,900 for 3,759,800 shares and warrants to purchase 3,759,800 shares. All of the warrants sold in the offerings are exercisable at the price of \$1.00 per share and expire in three years.

The Company is in discussions with certain potential investors to provide the additional capital set forth above. Additionally, A grant application for developing a broad-spectrum nanoviricide against hemorrhagic fever viruses such as Ebola/Marburg and Dengue is currently pending with the Department of Defense. No assurances can be given that financing will be available or be sufficient to meet our capital needs. If we are unable to obtain financing to meet our working capital requirements, then we may be required to modify our operations, including curtailing our business significantly or ceasing operations altogether.

Note 5. Significant Alliances and Related Parties

TheraCour Pharma, Inc.

Pursuant to an Exclusive License Agreement we entered into with TheraCour Pharma, Inc., (TheraCour), the Company was granted exclusive licenses in perpetuity for technologies developed by TheraCour for the virus types: Human Immunodeficiency Virus (HIV/AIDS), Influenza including Asian Bird Flu Virus, Herpes Simplex Virus (HSV), Hepatitis C Virus (HCV), Hepatitis B Virus (HBV), and Rabies. The Company and TheraCour have agreed, in principle, to a Licensing Agreement to include additional virus types among the virus types the Company is permitted to manufacture, use, and offer for sale, and for payment of a license fee to TheraCour. The Company has entered into an Additional License Agreement with TheraCour granting the Company the exclusive licenses in perpetuity for technologies developed by TheraCour for the additional virus types for Dengue viruses, Japanese Encephalitis virus, West Nile Virus, Viruses causing viral Conjunctivitis (a disease of the eye) and Ocular Herpes, and Ebola/Marburg viruses.



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In consideration for obtaining these exclusive licenses, we agreed: (1) that TheraCour can charge its costs (direct and indirect) plus no more than 30% of direct costs as a Development Fee and such development fees shall be due and payable in periodic installments as billed. (2) to pay \$25,000 per month for usage of lab supplies and chemicals from existing stock held by TheraCour (3) we will pay \$2,000 or actual costs, whichever is higher, for other general and administrative expenses incurred by TheraCour on our behalf (4) make royalty payments (calculated as a percentage of net sales of the licensed drugs) of 15% to TheraCour Pharma, Inc. (5) agreed that TheraCour Pharma, Inc. retains the exclusive right to develop and manufacture the licensed drugs. TheraCour Pharma, Inc. agreed that it will manufacture the licensed drugs exclusively for NanoViricides, and unless such license is terminated, will not manufacture such product for its own sake or for others, (6) TheraCour may request and NanoViricides, Inc. will pay an advance payment (refundable) equal to twice the amount of the previous months invoice to be applied as a prepayment towards expenses.

There can be no assurance that the license fee will be paid or that the amendment will become effective, in which case TheraCour may revoke our permissive use of its materials, which may adversely impact our operations and cause the termination of our Cooperative Research and Development Agreement (CRADA) with the United States Army Medical Research Institute of Infectious Diseases (USAMRIID), and the United States Armed Forces Institute of Pathology (USAFIP).

TheraCour may terminate the license upon a material breach by us as specified in the agreement. However, we may avoid such termination if within 90 days of receipt of such termination notice we cure the breach.

Development costs charged by TheraCour Pharma, Inc. for the six months ended December 31, 2009 and 2008, were \$586,023 and \$417,093 respectively, and \$3,151,071 since inception. As of December 31, 2009, pursuant to its license agreement the Company has paid a security advance of \$263,656 to and held by TheraCour Pharma, Inc. which is reflected in prepaid expenses

No royalties are due TheraCour from the Company's inception through December 31, 2009.

On February 27, 2007, NanoViricides, Inc. entered into a sublease to occupy 5,000 square feet of space in Woodbridge, Connecticut. Performance of the Company's obligations was guaranteed by TheraCour Pharma, Inc., a principal shareholder of the Company and provider of the materials the Company uses in its operations. This lease expired on January 30, 2009, and we have relocated our operations to an expanded facility at 135 Wood Street, West Haven, CT.

TheraCour Pharma, Inc., is affiliated with the Company through the common control of it and our Company by Anil Diwan, President, who is a director of each corporation, and owns approximately 70% of the capital stock of TheraCour Pharma, Inc., which itself owns approximately 30% of the capital stock of the Company.

TheraCour Pharma, Inc. owns 31,460,000 shares of the Company's outstanding common stock as of December 31, 2009. The Company anticipates the need to procure large quantities of the nanoviricides drug candidates for the upcoming studies. In order to support this production scale, TheraCour Pharma, Inc., the Company's largest shareholder and licensor of the TheraCour® technology that the Company uses in its anti-viral drug development, has initiated a program to expand its laboratory facilities. On December 3, 2009 TheraCour concluded its sales of the Company's stock pursuant to a Rule 10b5-1 trading plan selling, over a one year period, 1.8 million shares of the Company's common stock.. The plan went into effect on February 17, 2009. The proceeds are expected to be used to pay for necessary improvements in laboratory facilities, the purchase of analytical equipment, and the costs of intellectual property (patent) protection.



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The FASB has issued guidance related Consolidation of Variable Interest Entities. The guidance clarifies the application to certain entities in which equity investors do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. It separates entities into two groups: (1) those for which voting interests are used to determine consolidation and (2) those for which variable interests are used to determine consolidation. The guidance clarifies how to identify a variable interest entity and how to determine when a business enterprise should include the assets, liabilities, non-controlling interests, and results of activities of a variable interest entity in its consolidated financial statements.

The guidance further requires that a variable interest entity to be consolidated by its "Primary Beneficiary." The Primary Beneficiary is the entity, if any, that stands to absorb a majority of the variable interest entity's expected losses, or in the event that no entity stands to absorb a majority of the expected losses, then the entity that stands to receive a majority of the variable interest entity's expected residual returns. If it is reasonably possible that an enterprise will consolidate or disclose information about a variable interest entity when the FASB guidance became effective, the enterprise is required to disclose in all financial statements initially issued after December 31, 2003, the nature, purpose, size, and activities of the variable interest entity and the enterprise's maximum exposure to loss as a result of its involvement with the variable interest entity. For all periods presented in the financial statements, the Company evaluated its relationship with TheraCour Pharma, Inc., and concluded that it is not a variable interest entity that is subject to consolidation in the Company's financial statements.

## KARD Scientific, Inc.

In June 2005, the Company engaged KARD Scientific to conduct pre clinical animal studies and provide the Company with a full history of the study and final report with the data collected. Dr. Krishna Menon, the Company's Chief Regulatory Officer, is also an officer and principal owner of KARD Scientific. Since inception, lab fees charged by KARD Scientific for services to the Company total. \$633,175.

## Note 6. Prepaid Expenses

Prepaid expenses are summarized as follows:

	December 31, 2009	June 30, 2009
TheraCour Pharma, Inc. *	\$ 263,656	\$ 243,313
Kard Scientific, Inc. *	-	50,000
Prepaid other	49,248	28,232
	\$ 312,904	\$ 321,545

(\* See Note 5. Significant Alliances and Related Parties)

## Note 7. Equity Transactions

In November 2009, the Scientific Advisory Board (SAB) was granted warrants to purchase 50,000 shares of common stock at \$1.06 per share. These warrants, if not exercised, will expire in November 2013. The fair value of these warrants in the amount of \$39,600 was recorded as consulting expense.

The fair value of the Company's option-based awards granted were estimated using the Black-Scholes option pricing model and the following assumptions.

	For the three months ended 12/31/09	For the six months ended 12/31/09
Expected life in years	4 yrs	4 yrs
Risk free interest rate	1.73%	1.73-2.06%
Expected volatility	92.94%	92.94-96.15%
Dividend yield	0%	0%

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On September 30, 2009, the Company accepted subscriptions from certain investors in the aggregate amount of \$3,217,400 from the offerings of shares of the Company's common stock and warrants to purchase common stock and the exercise by the Company's warrant holders of their outstanding warrants. The offerings were commenced in June 2009, when the Company's stock price levels were approximately \$0.57. The offerings were closed to investors on August 30, 2009, after an extension by the Company's Board of Directors from the original termination date of August 14, 2009. In the Company's offering of Units comprised of shares of common stock and warrants to purchase common stock, the Company accepted subscriptions for \$1,337,500 for Units consisting of 2,675,000 shares and Warrants to purchase an additional 1,337,500 shares. In the offering to its warrant holders, the Company raised an aggregate of \$1,879,900 for 3,759,800 shares and warrants to purchase 3,759,800 shares. All of the warrants sold in the offerings are exercisable at the price of \$1.00 per share and expire three years from the issue date.

For the six months ended December 31, 2009, the Company's Board of Directors authorized the issuance of 93,530 shares of its common stock with a restrictive legend, for consulting services. The Company recorded an expense of \$64,463.

Note 8. Commitments and Contingencies

Operating Leases

The Company's principal executive offices are located at 135 Wood Street, West Haven, Connecticut, and include approximately 7,000 square feet of office and laboratory space at a base monthly rent of \$7,311. Commencing September 1, 2008 the Company rented additional storage space and the base monthly rent increased to \$7,311. The term of lease expires in February 28, 2011, and may be extended, at the option of the Company, for an additional two years. The lease can be cancelled by the Company upon providing six months written notice.

On February 27, 2007, NanoViricides, Inc. entered into a sublease to occupy 5,000 square feet of space at 4 Research Drive, in Woodbridge, Connecticut. The term of the occupancy expired January 30, 2009 at a monthly rent of \$11,667, plus an additional \$500 per month for utilities.

At December 31, 2009, future minimum rental payments due under these operating leases are as follows:

2010	\$43,866,866
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Total rent expense amounts to \$36,556 and \$106,654 for the six months ended December 31, 2009 and 2008 respectively, and \$333,310 for the period from inception.

Note 9. Subsequent Events

The Company has evaluated all events that occurred after the balance sheet date of December 31, 2009 through February , 2009, the date when the financial statements were issued. The Management of the Company determined that the following were reportable events that occurred during that subsequent period which were required to be disclosed:

On February 15, 2010, the Company's Board of Directors approved the Amended By-Laws to be effective as of February 15, 2010.

On February 8, 2010, the Company announced that it signed a research and development agreement with Dr. Eva Harris's laboratory at the University of California, Berkeley (UC Berkeley). Pursuant to the terms of this agreement,

Dr. Harris and UC Berkley will evaluate the effectiveness of nanoviricides drug candidates against various dengue viruses. Cell cultures models as well as in vivo animal studies will be employed for testing the drug candidates. Dr. Eva Harris is a Professor of Infectious Diseases at UC Berkeley and a leading researcher in the field of dengue.

On February 15, 2010 the Company approved an Additional License Agreement with TheraCour Pharma, Inc. (“TheraCour”). Pursuant to the exclusive Additional License Agreement, the Company was granted exclusive licenses, in perpetuity, for technologies, developed by TheraCour, for the development of drug candidates for the treatment of Dengue viruses, Ebola/Marburg viruses, Japanese Encephalitis, viruses causing viral Conjunctivitis (a disease of the eye) and Ocular Herpes. As consideration for obtaining these exclusive licenses, we agreed to pay a one time licensing fee equal to seven million shares of the Company’s Series A Convertible Preferred Stock (the “Series A Preferred Stock”). The Series A Preferred Stock is convertible, only upon sale or merger of the company, or the sale of or license of substantially all of the Company’s intellectual property, into shares of the Company’s common stock at the rate of four shares of common stock for each share of Series A Preferred Stock. The Series A Preferred Stock has a preferred voting preference at the rate of four votes per share. In addition, the Company agreed: (i) that, to the extent not being paid under the existing license agreement that TheraCour can charge its costs (direct and indirect) plus no more than 30% of direct costs as a development fee which shall be due and payable in periodic installments as billed; (ii) that, to the extent not being paid under the existing license agreement, a development fee of \$25,000 per month for usage of lab supplies and chemicals from TheraCour’s existing stock ; (iii) the Company will pay TheraCour the amount of \$2,000 or actual costs, whichever is greater, for other general and administrative expenses incurred by TheraCour on our behalf; (iv) make royalty payments (calculated as a percentage of net sales of the licensed drugs) of 15% to TheraCour; (5) TheraCour shall retain the exclusive right to develop and manufacture the licensed drugs; and (vi) TheraCour may request the Company to pay an advance payment (refundable) equal to twice the amount of the previous months invoice to be applied as a prepayment towards expenses. The Company does not anticipate any material increase in direct payments for development fees or for general and administrative expenses, to TheraCour, as a result of this Additional License Agreement.

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

The following discussion and analysis should be read in conjunction with our unaudited financial statements and related notes included in this report. This report contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. The statements contained in this report that are not historic in nature, particularly those that utilize terminology such as "may," "will," "should," "expects," "anticipates," "estimates," "believes," or "plans" or comparable terminology are forward-looking statements based on current expectations and assumptions.

Various risks and uncertainties could cause actual results to differ materially from those expressed in forward-looking statements. All forward-looking statements in this document are based on information currently available to us as of the date of this report, and we assume no obligation to update any forward-looking statements. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results to differ materially from any future results, performance or achievements expressed or implied by such forward-looking statements.

OUR CORPORATE HISTORY

NanoViricides, Inc. was incorporated under the laws of the State of Colorado on July 25, 2000 as Edot-com.com, Inc. and was organized for the purpose of conducting internet retail sales. On April 1, 2005, Edot-com.com, Inc. was incorporated under the laws of the State of Nevada for the purpose of re-domiciling the Company as a Nevada corporation, Edot-com.com (Nevada). On April 15, 2005, Edot-com.com (Colorado) and Edot-com.com (Nevada) were merged and Edot-com.com, Inc., (ECMM) a Nevada corporation, became the surviving entity. On April 15, 2005, the authorized shares of common stock was increased to 300,000,000 shares at \$.001 par value and the Company effected a 3.2 - 1 forward stock split effective May 12, 2005.

On June 1, 2005, Edot-com.com, Inc. acquired NanoViricides, Inc., a privately owned Florida corporation ("NVI"), pursuant to an Agreement and Plan of Share Exchange (the "Exchange"). NVI was incorporated under the laws of the State of Florida on May 12, 2005 and its sole asset was comprised of a licensing agreement with TheraCour Pharma, Inc. ("TheraCour," an approximately 30% shareholder of NVI) for rights to develop and commercialize novel and specifically targeted drugs based on TheraCour's targeting technologies, against a number of human viral diseases. (For financial accounting purposes, the acquisition was a reverse acquisition of the Company by NVI, under the purchase method of accounting, and was treated as a recapitalization with NVI as the acquirer). Upon consummation of the Exchange, ECMM adopted the business plan of NVI.

Pursuant to the terms of the Exchange, ECMM acquired NVI in exchange for an aggregate of 80,000,000 newly issued shares of ECMM common stock, resulting in an aggregate of 100,000,000 shares of ECMM common stock issued and outstanding. As a result of the Exchange, NVI became a wholly-owned subsidiary of ECMM. The ECMM shares were issued to the NVI Shareholders on a pro rata basis, on the basis of 4,000 shares of the ECMM Common Stock for each share of NVI common stock held by such NVI Shareholder at the time of the Exchange.

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On June 28, 2005, NVI was merged into its parent ECMM and the separate corporate existence of NVI ceased. Effective on the same date, Edot-com.com, Inc., changed its name to NanoViricides, Inc. and its stock symbol on the Pink Sheets to “NNVC. The Company submitted a Form-10SB to the SEC to become a reporting company on November 14, 2006. The Company’s filing status became effective in March, 2007. On June 28, 2007, the company became quotable on The OTC Bulletin Board under the symbol NNVC.OB.

The Company is considered a development stage company at this time.

## Management’s Plan of Operation

NanoViricides, Inc. (the “Company”), is an early developmental stage nano-biopharmaceutical company engaged in the discovery, development and commercialization of anti-viral therapeutics. The Company has no customers, products or revenues to date, and may never achieve revenues or profitable operations. Our drugs are based on several patents, patent applications, provisional patent applications, and other proprietary intellectual property held by TheraCour Pharma, Inc., one of the Company’s principal shareholders, from which we have licensed, in perpetuity, the right to develop drug candidates for the treatment of the following human viral diseases: Human Immunodeficiency Virus (HIV/AIDS), Influenza including Asian Bird Flu Virus, Herpes Simplex Virus (HSV), Hepatitis C Virus (HCV), Hepatitis B Virus (HBV), and Rabies. The Company and TheraCour have agreed, in principle, to a Licensing Agreement to include additional virus types among the virus types the Company is permitted to manufacture, use, and offer for sale, and for payment of a license fee to TheraCour. The Company has entered into an Additional License Agreement with TheraCour granting the Company the exclusive licenses in perpetuity for technologies developed by TheraCour for the additional virus types for Dengue viruses, Japanese Encephalitis virus, West Nile Virus, Viruses causing viral Conjunctivitis (a disease of the eye) and Ocular Herpes, and Ebola/Marburg viruses.

We are seeking to add to our existing portfolio of products through our internal discovery pre-clinical development programs and through an in-licensing strategy. We focus our laboratory research and pre-clinical programs on specific anti-viral solutions.

The Company has incurred significant operating losses since its inception resulting in an accumulated deficit of \$13,652,172 at December 31, 2009. For the six months ended December 31, 2009 the Company had a net loss of \$1,656,637. Such losses are expected to continue for the foreseeable future and until such time, if ever, as the Company is able to attain sales levels sufficient to support its operations.

To date, we have engaged in organizational activities; sourcing compounds and materials; developing novel compounds and nanomaterials, and experimentation with studies on cell cultures and animals. We have generated funding through the issuances of debt and private placement of common stock. We have not generated any revenues and we do not expect to generate revenues in the near future. We may not be successful in developing our drugs and start selling our products when planned, or that we will become profitable in the future. We have incurred net losses in each fiscal period since inception of our operations. The Company currently has no long term debt.

## NanoViricides Technologies, Products in Development, and Collaborations

Pharmaceutical drug development is an expensive and long duration proposition. Management’s plan is to develop each of our nanoviricides® to the necessary stage(s) and then engage into co-development relationships with other pharmaceutical companies. Such co-development relationships usually may entail upfront payments, milestones payments, cost-sharing, and eventual revenue-sharing, including royalty on sales. There is no guarantee that we will be able to negotiate agreements that are financially beneficial to the Company at the present stage. Management plans to continue to raise additional funds as needed for our continuing drug development efforts on public markets.



The Company currently has several drug development programs. Our drug development programs with large commercial interest include (1) Influenzas, (2) HIV, (3) topical eye drops for viral diseases of the external eye, and (4) Herpes “cold sores” and genital Herpes. In addition, the Company believes that, as the holder of potentially paradigm-shifting antiviral drug development technologies, it has a social responsibility to develop drugs against diseases affecting large segments of worldwide populations. In our Social Responsibility programs, we are developing drugs against Neglected Tropical Diseases (NTDs) caused by viruses such as Dengue viruses and Rabies. The Company also has BioSecurity programs that include drug development against hemorrhagic fever viruses such as Ebola/Marburg, and a unique technology that we call “ADIF” to combat natural or bioterrorism attacks by novel viruses as happened with SARS and may happen with engineered viruses. The Company plans to perform its NTD and BioSecurity R&D and drug development in collaboration with institutes of renown and with public funding, in order to minimize the strain on our resources. The Company believes that this work provides direct benefits to our commercially important programs. A grant application for developing a broad-spectrum nanoviricide against hemorrhagic fever viruses such as Ebola/Marburg and Dengue is currently pending with the Department of Defense.

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Our development model is to employ collaborations with academic labs, government labs, as well as external service providers in order to minimize our capital requirements. We currently have collaborations with the Center for Disease Control and Prevention (CDC) and the National (Central) Institute of Hygiene and Epidemiology (NIHE) (Vietnam) for Rabies, with NIHE for H5N1 Avian Flu, the Walter Reed Army Institute of Research (WRAIR) for Dengue family viruses, the Eva Harris Lab at the University of California Berkeley for Dengue, United States Army Medical Institute of Infectious Diseases (USAMRIID) for Ebola/Marburg family of hemorrhagic viruses, and the Long Island Jewish Medical System, Feinstein Institute of Medical Research (LIJMS) for viral eye diseases such as epidemic kerato-conjunctivitis (EKC) and herpes keratitis. In addition, our HIV and common influenza studies were subcontracted to KARD Scientific, Inc., USA. Some of the biological testing work for Herpes Virus infection of the eye was subcontracted to TheVac, LLC, laboratories at the Louisiana Emerging Technology Center located within the Louisiana State University (LSU) campus in collaboration with the LSU School of Veterinary Medicine. We have recently signed a Master Service Agreement to subcontract evaluation of nanoviricide drug candidates against various diseases including Influenzas and HIV with the Southern Research Institute, Infectious Diseases Division, Frederick, MD (SRI-F), a well known contract research organization that performs preclinical testing. Initially, we plan to perform additional testing of influenza drug candidates including High-Path or Highly Pathogenic Avian Influenzas (i.e. HPAI) at SRI-F. In addition to H5N1, several H9N and H7N influenza virus subtypes are highly pathogenic and have caused or have the potential to cause severe influenza epidemics. We also plan to perform additional testing of our HIV drug candidates at SRI-F.

We have additional collaborations in the process of formalization for work on Dengue viruses, HIV, Viral Conjunctivitis, HSV “cold sores” and genital herpes, and other viruses. We typically employ more than one external laboratory to perform testing for a particular disease agent in order to limit possible laboratory level bias.

We have developed lead drug candidates against a number of viral diseases. Proof-of-principle efficacy studies in animals have been conducted successfully in many of these.

Nanoviricides are designed to work by binding to and eliminating virus particles from the blood-stream, just as antibodies do, only potentially much better. This is expected to result in reduction in viremia. A nanoviricide is constructed by chemically attaching a ligand designed to bind to virus particle, to a polymeric material that forms a flexible nanomicelle by self-assembly. If antibodies are known to affect a viral disease, it is possible to construct a nanoviricide against it, and there can be a general expectation of some success, depending upon the ligand chosen. We can choose a ligand from any of a number of chemical classes, including small chemicals, peptides, or antibody fragments or even whole antibodies.

### The NanoViricides’ Concept and Antiviral Strategy

The Company owns an exclusive worldwide license in perpetuity to technology that enables the creation of nanoviricides. A “nanoviricide” is a flexible nano-scale material approximately a few billionths of a meter in size, comparable to the size of a virus particle, which is chemically programmed by a “ligand” to specifically target and attack a particular type of virus. A nanoviricide also is capable of simultaneously delivering a devastating payload of active pharmaceutical ingredients (API) into the virus particle, to destroy its genome (RNA/DNA).

A nanoviricide is designed to “look like” the portion of a cell membrane with the cell receptor to which a virus particle binds, in a sense. This biomimetic approach is expected to fool the virus into binding to the nanoviricide, and in an attempt to “enter” it, it is thought that the virus particle may get destroyed. This is because viruses have developed ways of uncoating themselves once they enter a cell, in order to expose the viral genomic material so that it can hijack the cellular machinery to make its own copies. We call this the “passive view” of how a nanoviricide may work.



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A nanoviricide is designed as a flexible material, that self-assembles, at about the same size scale as a typical virus particle. The flexible material we use is one type of a special polymeric material called TheraCour®, invented by the Company's founders. It assembles in solution into a flexible ball, somewhat like a ball of hair. We call this a nanoviricide micelle, or "nanomicelle" for short. On first contact with a virus particle, a nanoviricide micelle may bind to a virus particle because of specific interaction between a ligand attached to the nanoviricide and the glycoproteins on the virus surface. This may cause the flexible nanoviricide to reach very close to the virus surface, leading to additional ligands binding to additional viral coat proteins, in a mode called "cooperative binding". Cooperative binding is a well known natural process that forms the basis of biological recognition such as antibody-antigen binding, DNA hybridization, and protein assembly, among others. Eventually it is thought that the interior of the nanomicelle, which is lipidic (oil-like) in nature, would fuse with the exterior lipidic coat of the virus particle. This lipidic fusion is also a well known natural process. Such fusion may lead to the flexible nanomicelle spreading onto the virus surface much like an oil-slick covering a golf ball. In the process, the coat proteins that the virus uses for binding to cells may be expected to become unavailable, and are also likely to even get stripped off completely. The virus particle would then be rendered incapable of binding to a cell, and thus no longer infectious or capable of causing disease or of making copies of itself. We call this the "active view" of how a nanoviricide may work.

Nanoviricides thus are designed to employ the "Bind-Encapsulate-Destroy" strategy, which is akin to the "Find-Encircle-Destroy" war strategy that has been successfully employed historically in many wars.

Antibodies are a major defense of humans and animals against viruses. After a person is infected by one particular virus, he/she develops antibodies against the virus. The infection is fully controlled after a strong antibody response develops. Subsequent exposure to the same virus does not cause disease. However, antibodies by themselves do not destroy a virus particle. After a few antibodies bind to a virus particle, several processes must take place that eventually lead to destruction of the virus particle. Many viruses have developed ways of dysregulating this complex immune response cascade.

Nanoviricides, on the other hand, are designed as "programmed nanomachines" capable of executing the entire strategy of "Bind-Encapsulate-Destroy" without any dependence on or assistance from the human immune system.

Antibodies also may be too specific to a particular virus strain, and thus viruses evade antibodies by changing their external surface. Vaccines create antibodies in the recipient, in order to protect the person. Vaccines are thus limited by the nature of antibodies, and tend to be very specific to particular strains or groups of strains of a virus. This is why a new seasonal vaccine must be formulated for influenza every year. This is also why a novel influenza strain such as bird flu (H5N1) or the 2009 "Swine flu" virus cannot be defended against by existing vaccines. In addition, novel vaccines against the novel strain cannot be developed and manufactured in time, as was demonstrated during the 2009 "swine Flu" pandemic.

Despite all evolutionary/spontaneous changes such as mutations, re-assortments, recombinations, etc., a particular virus retains its ability to bind to the same cell receptor features on the cell surface at the same sites. In designing a nanoviricide, we pay particular attention to the design and selection of a ligand. We generally choose a ligand that mimics the cell surface features to which all virus strains of a particular virus are known to bind. We therefore believe that a resistant viral strain against a nanoviricide would be far less likely to occur than resistance development against any other antiviral agent strategy. If, however, such resistance does occur, a new nanoviricide can be developed by changing the ligand appropriately.

We designed the nanoviricides to act by a novel set of multiple, concerted, mechanisms. However, being so novel, our drugs are not directly comparable to existing anti-viral therapies. Thus, the safety and efficacy of the nanoviricides needs to be established by experimentation, and cannot be anticipated on the basis of any similar information regarding existing drugs.



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It is important to realize that the flexible nanoviricides nanomedicines show substantial advantages over hard sphere nanoparticles in this antiviral drug application. Hard sphere nanomaterials such as dendritic materials (dendrimers), nanogold shells, silica, gold or titanium nanospheres, polymeric particles, etc., were never designed to be capable of completely enveloping and neutralizing the virus particle.

The Company does not claim to be creating a cure for viral diseases. The Company's objectives are to create the best possible anti-viral nanoviricides and then subject these compounds to rigorous laboratory and animal testing towards US FDA and international regulatory approvals. Our long-term research efforts are aimed at augmenting the nanoviricides that we currently have in development with additional therapeutic agents to produce further improved anti-viral agents in the future.

The Company plans to develop several drugs through the preclinical studies and clinical trial phases with the goal of eventually obtaining approval from the United States Food and Drug Administration ("FDA") and International regulatory agencies for these drugs. The Company plans, when appropriate, to seek regulatory approvals in several international markets, including developed markets such as Europe, Japan, Canada, Australia, and Emerging Regions such as Southeast Asia, India, China, Central and South America, as well as the African subcontinent. The seeking of these regulatory approvals would only come when and if one or more of our drugs, now in early stage of pre-clinical development, has significantly advanced through the US FDA regulatory process. If and as these advances occur, the Company may attempt to partner with more established pharmaceutical companies to advance the various drugs through the approval process.

There can be no assurance that the Company will be able to develop effective nanoviricides, or if developed, that we will have sufficient resources to be able to successfully manufacture and market these products to commence revenue-generating operations.

There can be no assurance that other developments in the field would not impact our business plan adversely. For example, successful creation and availability of an effective vaccine may reduce the potential market size for a particular viral disease.

The Company's headquarters are currently in West Haven, Connecticut.

We plan on undertaking the development of drugs against other viruses when adequate financing becomes available. The Company's ability to achieve progress in the drugs in development is dependent upon available financing and upon the Company's ability to raise capital. The Company will negotiate with TheraCour to obtain licenses for additional viral diseases as necessary. However, there can be no assurance that TheraCour will agree to license these materials to the Company, or to do so on terms that are favorable to the Company.

The total market size of drugs for the programs in which we already have lead drug candidates are estimated to be over \$40B in 2013.

"H1N1 Swine Flu", Common Influenzas, High Path Avian Influenzas, Bird Flu, Epidemic and Pandemic Influenzas

Our FluCide program lead drug candidate has shown efficacies animals that far exceed that of known drugs such as oseltamivir (Tamiflu®, Roche) against common influenza in an animal model. Until last year, we had three different drug development programs for influenzas: FluCide for common influenzas, FluCide-HP for highly pathogenic influenzas, and AviFluCide specific to H5N1 bird flu. We have consolidated all three of our influenza drug programs into a single, broadly active, yet highly effective, pan-influenza FluCide program. The new FluCide is expected to be highly active against all influenzas, including highly pathogenic strains such as H5N1, the novel H1N1/2009 Mexico/California "Swine Flu" epidemic strain, H3N2, H7N, and H9N among others. We are currently developing a

single drug for all influenzas, whether pandemic, epidemic, seasonal, novel, emerging, human, swine, or avian. We anticipate significant cost savings as well as simplification in regulatory and eventual marketing efforts by consolidating these drug programs.

Recently, with additional SAR (structure-activity-relationship) studies, we have been able to develop influenza virus binding ligands that are expected to be superior to the previously used ligands in FluCide-HP. The new ligands are designed to be closer mimics of the sialic acid receptors (than the previously employed ones), yet capable of binding to influenza virus hemagglutinin proteins that use either the “avian” or the “human” types of sialic acid receptors. Pigs are known to be a “mixing vessel” species, exhibiting both avian and human types of sialic acid receptors, and thereby re-assortment (mixing) of genetic material from influenza strains, subtypes, or types, with different host specificities can occur readily in pigs. We are actively seeking partnerships, collaborations and government funding for our anti-influenza drug program.

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Viral Diseases of the Eye: Viral Conjunctivitis, Viral Keratitis – Eye Drops

We are developing a nanoviricide against adenoviral Epidemic Kerato-Conjunctivitis (EKC). EKC is a severe disease of the eye which in some people causes long term or permanent blurred vision. In an animal study, our EKCCide lead candidate was shown to rapidly resolve the clinical signs of the disease, when treatment was started after infection had set in. The clinical success included demonstration that no SEI's (immunoprecipitates) were formed in treated animals, as opposed to control group. SEI's are known to be the cause of blurred vision. There are currently no approved drugs available against EKC, and it is an active field of drug development research. There are about 2.5 million cases of EKC annually in the USA alone.

The Company is not aware of any animal studies of anti-EKC drug candidates that have demonstrated resolution of clinical disease. Based on these successful results, we expanded our program to develop a single broad-spectrum nanoviricide treatment effective against most of the viruses causing external eye diseases, including viral conjunctivitis and viral keratitis. A large majority of external eye viral infections are caused by adenoviruses or herpes simplex viruses (mainly HSV-1).

We have now successfully developed drug candidates that are effective against both adenoviruses and against HSV-1, viruses that cause most of the viral diseases of the external eye. Additional animal testing against HSV-1 infection of the eye is being commissioned at two independent external research centers.

HSV and some adenoviruses cause most of the cases of keratitis, a serious infection of the cornea (approximately 250,000 US cases/year). Importantly, HSV infection can lead to corneal scarring that may necessitate corneal transplantation. In addition, some adenoviruses cause a majority of conjunctivitis cases ("Pink eye"). The remaining cases of conjunctivitis are caused by bacteria and are treatable with topical antibiotics. Currently there are no effective treatments for viral diseases of the exterior portion of the eye.

The nanoviricide eye drug candidate is formulated as simple eye drops.

The total market for viral conjunctivitis and keratitis is estimated to be in the billions of dollars. The incidence of severe herpes keratitis is estimated to be 250,000 cases per year in the USA. In Japan, where EKC is a reportable disease, it is estimated that there are at least one million cases per year. The number of cases of non-specific conjunctivitis (pink eye) is considered to be far greater, possibly into the tens of millions in the US and hundreds of millions worldwide.

The Company reported on February 27, 2009 that it entered into a Material Transfer Agreement with a major pharmaceutical company. Pursuant to the terms of the agreement, the Company is not authorized to disclose the identity or the terms of the Agreement, except for securities reporting purposes. The pharmaceutical company will evaluate one of the Company's compounds as a drug candidate for certain viral infections of the external eye. The Agreement also provides that following evaluation, should the pharmaceutical company so elect, the parties may enter into good faith negotiations for an exclusive, worldwide license for drug development and commercialization of the eye drug candidate. The initial phase of evaluation was completed recently.

On May 6, 2009, the Company entered into a Clinical Study Agreement with TheVac, LLC, a company affiliated with the Emerging Technology Center of the Louisiana State University. At present, TheVac is performing biological testing of anti-herpes nanoviricides. TheVac is conducting studies on the effect of anti-herpes nanoviricide drug candidates developed for use against herpes cold sores and genital herpes in cell culture models. In addition, TheVac is also conducting studies on the effect of anti-herpes nanoviricides drug candidates in a mouse model of herpes keratitis. Professor Gus Kousoulas and his team at Louisiana State University have validated and published on this animal model extensively in peer-reviewed scientific journals.





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### HIV

Our very first animal studies in the standard SCID-hu mice against HIV-1 have demonstrated that our primary nanoviricide drug candidate, HIVCide, as well as several other nanoviricide drug candidates were found to be superior to the three-drug oral cocktail (HAART) that is the current standard of care.

We designed the anti-HIV nanoviricides using rational drug design principles. The ligands we have designed in the case of HIV-1 are thought to be broadly neutralizing. In-silico modeling indicates that our ligands dock to the conserved CD4 binding site of gp120 of HIV-1. We have even observed successful docking of some of our ligands with gp120 of the HIV-1 JRFL strain which is thought to be resistant to HAART.

Resistance to HAART eventually leads to AIDS. It is possible that HIVCide can be used in addition to HAART to obtain even stronger beneficial effects, resulting in a “functional cure” of HIV. We believe that the term “Functional Cure” of HIV may be defined as: The HIV genome integrates into certain human cells that go into hiding or dormancy for several years. While dormant, the HIV genome does not produce HIV virus particles or HIV proteins to any significant extent and are thought to remain unaffected by current anti-HIV drugs. The current standard treatment results in very low levels of HIV viremia, but the immune cells (CD4+ T cells and CD8+T cells) count eventually begins decreasing at a slow rate. The HAART therapy must be continued for the life of the patient. A more effective therapy could result in complete loss of HIV from the blood stream. This may eliminate the slow loss of healthy immune cell populations, and allow immune system function to return to normal. Patients may then enjoy a normal life without further daily treatment, until an episode occurs which mobilizes the “sleeping” cells containing the HIV genome in addition to eliminating HIV particles. Such a therapy would be called a “functional cure” against HIV. A total cure of HIV would require elimination of the dormant cell pool containing the HIV genome. Research in the field of reactivating the dormant pool of HIV infected cells is encouraging. If these cells can be reactivated, and simultaneously the HIV viremia controlled, researchers have proposed that this could lead to reduction in the dormant infected cell pool. If their hypotheses are correct, HIVCide could lead to an eventual cure, possibly in combination with other drugs.

Nanoviricides act by a different mechanism than other approved anti-HIV therapeutics. The Company believes, therefore, that by combining a nanoviricide with current therapy, a functional cure of HIV may be already achievable. However, there is no way to predict whether such a treatment would be successful at providing a functional cure of HIV at present.

Additional studies in cell cultures are planned to be conducted in the next six months. We have executed a Master Service Agreement (MSA) with Southern Research Institute, Infectious Diseases Division, Frederick, MD (SRI-F) to conduct these studies. SRI-F is a well established Contract Research Organization (CRO) that has developed, conducted, and published in scientific journals on standardized study protocols for various mechanisms of anti-HIV action, including microbicides, antibodies, and small chemical therapeutics. We are also planning additional animal studies of these drug candidates. We are also planning additional animal model studies of the HIVCide lead drug candidate.

HIVCide is expected to be a significant anti-HIV candidate, acting by a novel mechanism of action and a first-in-class therapeutic, based on current preliminary data. We intend to develop it further.

### Herpes “Cold Sores” and Genital Herpes

We have developed nanoviricide drug candidates that are capable of attacking the herpes virus that causes cold sores and genital herpes. These drug candidates are designed so that they can be easily formulated as a skin cream or gel formulation in order to be able to apply readily to cold sores or genital lesions caused by herpes.

We have successfully tested these drug candidates in a cell culture model for effectiveness against Herpes Simplex Virus (HSV-1) infection. This testing was conducted by TheVac, LLC laboratories at the Louisiana Emerging Technology Center located within the Louisiana State University (LSU) campus in collaboration with the LSU School of Veterinary Medicine.

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Four different nanoviricidases showed greater than 10,000-fold (>99.99% or 4-logs) reduction in virus quantity compared to untreated controls in a cell culture assay employing the LSU proprietary green-fluorescent-protein-tagged (GFP) modified HSV-1 McKrae strain.

These nanoviricide drug candidates are designed to act against all herpes simplex virus strains, including HSV-1 and HSV-2. The Company has commissioned additional in vitro studies to confirm the results. Animal studies have also been scheduled.

Herpes simplex virus (HSV) causes “cold sores” or “fever blisters”, the incidence of which is second only to the common cold (100 million recurrences annually in the US alone). In addition, genital herpes prevalence is 67 million infected individuals in the US alone. This represents 20% of the US population infected with symptomatic, recurrent disease. It is also believed that a large fraction of infected individuals remain asymptomatic. Seroprevalence (people with antibodies) in general French population is about 67% for HSV-1 and 17% for HSV-2. It is estimated that worldwide incidence and infection rates are very similar to these high proportions of infection prevalence.

Existing therapies for herpes virus infections include acyclovir and drugs chemically related to it (e.g. gancyclovir, valcyclovir, others). These drugs, nucleoside analogs, act by inhibiting viral DNA synthesis. However, there is known drug toxicity due to interference with human metabolism. Currently, there is no cure for herpes infection.

Nanoviricidases are designed to act by a novel and distinctly different mechanism compared to existing drugs. Nanoviricidases are designed to mimic the human cell surface to which the virus binds. Our results suggest that a nanoviricide could become a highly sought after drug against HSV.

## Neglected Tropical Diseases and Biosecurity/Biodefense Programs

### Ebola, Marburg, Dengue

We have obtained significant positive results against Ebola, although the Ebola virus produces a soluble glycoprotein decoy that may be capable of avoiding certain of our virus-binding ligands.

In the absence of public funding, the Company’s ability to develop these drugs is very limited. This is a low-priority project for the Company.

### Dengue

We are currently working on developing anti-Dengue therapeutics. Dengue is an important NTD. According to the Centers for Disease Control and Prevention in Atlanta (CDC), dengue fever risk is about 1 illness per 1,000 US travelers, and it is the most common cause of fever in returned travelers from the Caribbean, Central America, and South Central Asia. The CDC has also noted "dengue is the most important mosquito-borne viral disease affecting humans. Each year, tens of millions of cases of DF occur and, depending on the year, up to hundreds of thousands of cases of Dengue hemorrhagic fever (DHF)." Dengue fever is also called “break-bone fever”. The first or primary dengue infection has very low fatality rates associated with it. However, when a person is infected with a different type of dengue virus afterwards, the person is at risk of developing Dengue Hemorrhagic Fever (DHF), or Severe Dengue fever. The fatality rate associated with DHF/Severe Dengue may be as high as 10%. There is currently no vaccine or cure for dengue, which causes high fever, muscular pain, headaches, vomiting, and in some cases skin rash. WHO estimates that 2.5 billion people are at risk of dengue fever or of DHF out of a total world population of 6.6 billion. Dengue viruses are carried by Aedes aegypti mosquito, which is gaining ground northwards as the global climate

warms up. There have been several cases of Dengue in the southern regions of the USA.

Dengue and dengue hemorrhagic fever/dengue shock syndrome are emerging as serious global health problems. Dengue is endemic in large parts of the world. It now threatens over 3 billion people world-wide or 40% of world population, and is considered a re-emerging threat in the United States. Dengue is officially considered a “neglected tropical disease” by the World Health Organization. About 50-100 million people are infected by dengue virus every year. In fact, just recently, the government of Cali, Columbia declared a dengue emergency because of the number of dengue infections and deaths. Globalization and warming climates along with changes in the ecology of the virus-carrying mosquito are accelerating the spread of the virus. Without proper treatment, DHF fatality rates can exceed 20%. (Source: WHO Dengue and dengue haemorrhagic fever Fact Sheet No. 117, March 2009; <http://www.who.int/mediacentre/factsheets/fs117/en/>)

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The Company signed a Research and Development agreement with Professor Eva Harris' Lab at the University of California Berkeley for nanoviricides against dengue viruses. Dr. Eva Harris is a Professor of Infectious Diseases at UC Berkeley. She is a leading researcher in the field of dengue. Her group has developed a unique animal model for dengue virus infection and disease that effectively emulates the pathology seen in humans. In particular, the critical problem of dengue virus infection, called "Antibody-Dependent Enhancement" (ADE), is reproduced in this animal model. When a person who was previously infected with one serotype of dengue virus is later infected by a different serotype, the antibodies produced by the immune system can lead to increased severity of the second dengue infection, instead of controlling it. ADE thus can lead to severe dengue disease or dengue hemorrhagic fever (DHF).

The Company has developed a library of small chemical ligands that bind to dengue virus envelope proteins using in silico studies. Using these ligands, a number of candidate nanoviricides that are capable of attacking the dengue virus have been developed. The Company believes that these nanoviricide drug candidates mimic the natural, common attachment function by which the four different dengue virus serotypes bind to the body's host cells. If this proves to be correct, the Company believes that a nanoviricide drug under development can be expected to be a broad-spectrum anti-dengue antiviral treatment capable of attacking all four dengue virus serotypes and their variant strains.

Currently there are no approved vaccines for the prevention of dengue, nor drugs for treatment of dengue virus infection. The worldwide market size for an effective anti-dengue treatment may be as large as that for Hepatitis C virus treatment, or in the billions of dollars, based on current population exposure data.

## Rabies

Our RabiCide program has resulted in candidates that have enabled survival of 20% to 30% of infected animals after disease has set in, using a particular animal model. Further testing is in progress in a different experimental model. We believe that if this testing succeeds, it may be the first ever therapeutic against rabies. Currently, rabies is a uniformly lethal disease with only prophylactic medications available, which are comprised of human antibodies, monoclonal antibody mixtures, and rabies vaccine virus strains. The potential market size for a rabies drug worldwide has been estimated at \$300M to \$500M. In absence of public funding, the Company's ability to develop these drugs is very limited.

## Advanced Technologies: ADIF Technologies

We believe that our technologies and capabilities at attacking different viruses are fairly well demonstrated. In addition, we have developed "Accurate-Drug-In-Field" or ADIF technologies that may show efficacy in treating epidemics like H5N1, SARS or Ebola by developing a targeted therapeutic in the field to prevent the spread of the disease.

ADIF technology does not require any knowledge of the molecular biology of the virus, or even its specific identification. An accurate drug, specifically targeted at the virus, can be developed in the field, from nanomicelles stockpiled beforehand. This enables a rapid response timeframe of as short as 3 weeks for initial drug doses, and potentially less than 3 months for sufficient doses to curb the spread of the virus outside the affected area. Thus ADIF technologies are applicable to novel, or engineered viruses, or emerging infections whether natural or man-made. This technology may have significant applications in the Biodefense area. We believe that this is the only technology that can enable humans to combat novel viruses before they spread disease.

We have already demonstrated the ADIF technology capabilities successfully.



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### The Strength of Our Drug Pipeline

Between the two ends of the spectrum of specific antivirals developed during peace-time effort, and the specific antivirals developed as a “war-like” effort (ADIF), we have also demonstrated the capability of developing broad-spectrum nanoviricidases. Broad-spectrum nanoviricidases are based on the validated scientific fact that a large number of virus families employ the same cell surface receptor. Our nanoviricidases are designed as “cell biomimetics,” meaning that the nanoviricidases “look like” a cell to the virus. The nanoviricidase carries a portion of the broad-spectrum receptor on the nanomicelle surface that the virus attaches to and is then entrapped or dismantled by the nanoviricidase. Such broad-spectrum nanoviricidases could be stockpiled to enable treatment of many infectious agents with very few drugs, and thus would be valuable to worldwide disease programs, and Strategic National Stockpiling efforts.

We believe that the Company has a strong, wide and deep pipeline of drugs. However, with relatively meager financial resources, the Company continues to juggle prioritization of the various programs, and program achievements. We are also working on bolstering our infrastructure with the objective of enabling us to file pre-IND applications for some of our drug candidates with the FDA. The Company has received significant interest from major pharmaceutical companies in its Viral Eye Diseases drug candidate, and HIVCide and FluCide programs to date, and we expect interest to increase in other programs as well. There is no guarantee that this interest would result in any financially lucrative co-development agreements.

All of our programs are currently at the pre-clinical stage. We have established preliminary proof of efficacy in cell culture and animal models, and we have conducted preliminary safety studies that have indicated that all of our nanoviricidases are safe in the animal models as tested. We continue to work on further experiments necessary for development of our various drug candidates as FDA approvable drugs.

Last year, we added two commercially important drug candidates to our pipeline, namely HIVCide and EKCCide.

This year, we have greatly expanded the scope of our eye anti-viral treatment to develop drug candidate eye drops against potentially all viruses infecting the exterior portion of the eye. Our EKCCide program has now evolved into the broad-spectrum eye drops antiviral program, which is expected to lead to a significant expansion in marketability as well as market size if successful.

A nanoviricidase against Herpes cold sores and genital herpes is a new addition to our pipeline of drug candidates this year. The market size for herpes simplex virus treatments is in excess of \$2 billion annually.

In addition, we simplified our anti-influenza drug programs because of the high efficacies of our new drug candidates into a single pan-Influenza broadly acting new FluCide. This single drug is being developed for all influenza indications including seasonal influenzas, highly pathogenic influenzas, bird flu, and novel epidemic influenzas such as the current novel H1N1/2009. We believe that this will reduce development costs significantly. This is also expected to help us gain expanded market share and easier market acceptance, including stockpiling, when a drug is approved. Emergency Use Authorization can occur under circumstances such as the current epidemic under certain conditions after an IND has been filed, prior to a full FDA approval. We are not at the stage of submitting the necessary applications to the FDA as yet.

Further we have also begun biological testing in the Dengue antivirals program. The Company has developed a library of small chemical ligands that bind to dengue virus envelope proteins using in silico studies. Using these ligands, a number of candidate nanoviricidases that are capable of attacking the dengue virus have been developed. The Company believes that these nanoviricidase drug candidates mimic the natural, common attachment function by which the four different dengue virus serotypes bind to the body’s host cells. If this proves to be correct, the Company believes that a nanoviricidase drug under development can be expected to be a broad-spectrum anti-dengue antiviral treatment capable



of attacking all four dengue virus serotypes and their variant strains.

We are developing nanoviricides for different routes of administration, choosing the best option based on a viral disease pathology. Thus, we are developing eye drop formulation for the viral diseases of the external eye. We are developing skin cream and gel formulations for topical application of nanoviricides against oral and genital herpes. Other drugs candidates including FluCide and HIVCide are currently being developed as injectables. We believe that it will be possible in the future to develop aerosols for influenza and nasal sprays for common colds and similar diseases. This is possible because nanoviricides have been designed so that they can be formulated in many different ways.

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Liquidity and Capital Resources

Requirement for Additional Capital

We currently have sufficient cash reserves to achieve all of our budgeted plans through December 31, 2010, and we will need to obtain additional financing to finance studies necessary for an investigational new drug (“IND”) filing with the FDA.

As of December 31, 2009 we had a cash and cash equivalent balance of \$4,032,863 which can support operations through December 31, 2010, at our current projected rate of spending.

However, in addition to current funds allocated to capital costs and staffing, and in accordance with our business plan, we have also budgeted for additional capital costs and staffing costs of approximately \$2 million dollars and an additional \$3 million dollars for additional scientific studies in support of an IND filing with the FDA, for the upcoming twenty-four months. If we are unable to obtain this additional financing, our business plan will be delayed.

We anticipate that we will incur the following expenses over the next twelve months:

- 1 Research and Development subcontractor costs of \$1,500,000: Including planned costs of \$1,200,000 for in-vivo and in-vitro studies for pan-influenza FluCide, NanoViricide eye drops against EKC and other Ocular viral deceases, HIVCide, and NanoViricides against genital and ocular Herpes, planned for the next twelve months ending December 31, 2010. The Company has allocated the planned costs of \$1,200,000 evenly over the four drug candidates.
- 2 Corporate overhead of \$750,000: This amount includes budgeted office salaries, legal, accounting and other costs expected to be incurred by being a public reporting company.
- 3 Capital costs of \$250,000: This is the estimated cost for equipment and laboratory improvements expected during the next twelve months ending December 31, 2010.
- 4 Staffing costs of \$1,000,000: This is the estimated cost of hiring additional scientific staff and consulting firms to assist with FDA compliance, material characterization, pharmac-kinetic, pharmaco-dynamic and toxicology studies, and other items related to FDA compliance, as required for development of necessary data for filing an Investigational New Drug Application (IND) with the United States Food and Drug Administration.

The Company will be unable to proceed with its planned drug development progress, meet its administrative expense requirements, capital costs, and staffing costs after about December 31, 2010 without obtaining additional financing of approximately \$3,000,000 to \$5,000,000. If we are unable to obtain additional financing, our business plan will be significantly delayed or curtailed. The Company continues to re-prioritize its objectives and delay certain drug development programs until we can raise sufficient funding that enables further development of the drugs with the goal of filing an Investigational New Drug application (IND) to the FDA.

The Company does not have any arrangements in place, at this time, for equity or other financing for these further needs of \$3-5 million beyond minimum operations. However, the Company is in discussions with certain investors who would provide such capital. If we are unable to obtain additional financing, our business plan will be significantly delayed.

The Company has limited experience with pharmaceutical drug development. Thus, our budget estimates are not based on experience, but rather based on advice given by our associates and consultants. As such these budget

estimates may not be accurate. In addition, the actual work to be performed is not known at this time, other than a broad outline, as is normal with any scientific work. As further work is performed, additional work may become necessary or change in plans or workload may occur. Such changes may have an adverse impact on our estimated budget. Such changes may also have an adverse impact on our projected timeline of drug development.

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We believe that this coming year's work-plan will lead us to obtain certain information about the safety and efficacy of some of the drugs under development in animal models. If our studies are not successful, we will have to develop additional drug candidates and perform further studies. If our studies are successful, then we expect to be able to undertake further studies in animal models to obtain necessary data regarding the pharmacokinetic and pharmacodynamic profiles of our drug candidates. We believe these data will then enable us to file an Investigational New Drug (IND) application, towards the goal of obtaining FDA approval for testing the drugs in human patients.

Most pharmaceutical companies expect 4 to 10 years of study to be required before a drug candidate reaches the IND stage. We believe that because we are working in the infectious agents area, our studies will have objective response end points, and will be of relatively short durations. Our business plan is based on these assumptions. If we find that we have underestimated the time duration of our studies, or we have to undertake additional studies, due to various reasons within or outside of our control, this will grossly and adversely impact both our timelines and our financing requirements.

Management intends to use capital and debt financing, as required, to fund the Company's operations. There can be no assurance that the Company will be able to obtain the additional capital resources necessary to fund its anticipated obligations for the next twelve months.

The Company is considered to be a development stage company and will continue in the development stage until it generates revenues from the sales of its products or services.

### ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

The Company is not exposed to market risk related to interest rates or foreign currencies.

### ITEM 4. CONTROLS AND PROCEDURES

- (a) Evaluation of disclosure controls and procedures.

Based upon an evaluation of the effectiveness of disclosure controls and procedures, our Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") have concluded that as of the end of the period covered by this Quarterly Report on Form 10-Q our disclosure controls and procedures (as defined in Rules 13a-15(e) or 15d-15(e) under the Exchange Act) were effective to provide reasonable assurance that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified by the rules and forms of the SEC and is accumulated and communicated to management, including the CEO and CFO, as appropriate to allow timely decisions regarding required disclosure.

- b) Changes in internal control over financial reporting.

Other than as described above, there were no material changes in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) that occurred as of December 31, 2009, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## PART II. OTHER INFORMATION

### ITEM 1. LEGAL PROCEEDINGS

None.

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ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

In August 2009, members of the Company's Scientific Advisory Board (SAB) were granted warrants to purchase 50,000 shares of common stock at \$1.10 per share. These warrants, if not exercised, will expire in August, 2013.

On September 30, 2009, the Company accepted subscriptions from certain investors in the aggregate amount of \$3,217,400 from the offerings of shares of the Company's common stock and warrants to purchase common stock and the exercise by the Company's warrant holders of their outstanding warrants. The offerings were commenced in June 2009, when the Company's stock price levels were approximately \$0.57. The offerings were closed to investors on August 30, 2009, after an extension by the Company's Board of Directors from the original termination date of August 14, 2009. In the Company's offering of Units comprised of shares of common stock and warrants to purchase common stock, the Company accepted subscriptions for \$1,337,500 for Units consisting of 2,675,000 shares and Warrants to purchase an additional 1,337,500 shares. In the offering to its warrant holders, the Company raised an aggregate of \$1,879,900 for 3,759,800 shares and warrants to purchase 3,759,800 shares. All of the warrants sold in the offerings are exercisable at the price of \$1.00 per share and expire in three years.

On October 26, 2009, the Company granted warrants to purchase 5,250 shares of common stock at \$1.00 per share for services rendered. The Company recorded an expense of \$3,750.

In November 2009, the Scientific Advisory Board (SAB) was granted warrants to purchase 50,000 shares of common stock at \$1.06 per share. These warrants, if not exercised, will expire in November, 2013.

On November 11, 2009, 10,000 warrants issued to a member of the Scientific Advisory Board (SAB) were converted into common stock, resulting in the issuance of 10,000 common shares. The Company received \$1,440 upon this conversion.

On November 25, 2009, the Company authorized the issuance of 32,500 shares of common stock with a restrictive legend in payment of a current account payable for laboratory equipment in the amount of \$25,200.

For the six months ended December 31, 2009, the Company's Board of Directors authorized the issuance of additional 93,530 shares of its common stock with a restrictive legend, for consulting and legal services. The Company recorded an expense of \$64,463.

All of the securities set forth above were issued by the Company pursuant to Section 4(2) of the Securities Act of 1933, as amended, or the provisions of Rule 504 of Regulation D promulgated under the Securities Act. All such shares issued contained a restrictive legend and the holders confirmed that they were acquiring the shares for investment and without intent to distribute the shares. All of the purchasers were friends or business associates of the Company's Management and all were experienced in making speculative investments, understood the risks associated with investments, and could afford a loss of the entire investment. The Company has never utilized an underwriter for an offering of its securities.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

ITEM 5. OTHER INFORMATION

On February 15, 2010, the Company's Board of Directors approved the Company's Amended By-Laws to be effective as of February 15, 2010.

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On February 8, 2010, the Company announced that it signed a research and development agreement with Dr. Eva Harris's laboratory at the University of California, Berkeley (UC Berkeley). Pursuant to the terms of this agreement, Dr. Harris and UC Berkeley will evaluate the effectiveness of nanoviricides drug candidates against various dengue viruses. Cell cultures models as well as in vivo animal studies will be employed for testing the drug candidates. Dr. Eva Harris is a Professor of Infectious Diseases at UC Berkeley and a leading researcher in the field of dengue.

On February 15, 2010 the Company approved an Additional License Agreement with TheraCour Pharma, Inc. ("TheraCour"). Pursuant to the exclusive Additional License Agreement, the Company was granted exclusive licenses, in perpetuity, for technologies, developed by TheraCour, for the development of drug candidates for the treatment of Dengue viruses, Ebola/Marburg viruses, Japanese Encephalitis, viruses causing viral Conjunctivitis (a disease of the eye) and Ocular Herpes. As consideration for obtaining these exclusive licenses, we agreed to pay a one time licensing fee equal to seven million shares of the Company's Series A Convertible Preferred Stock (the "Series A Preferred Stock"). The Series A Preferred Stock is convertible, only upon sale or merger of the company, or the sale of or license of substantially all of the Company's intellectual property, into shares of the Company's common stock at the rate of four shares of common stock for each share of Series A Preferred Stock. The Series A Preferred Stock has a preferred voting preference at the rate of four votes per share. In addition, the Company agreed: (i) to the extent not paid under the existing license agreement, TheraCour can charge its costs (direct and indirect) plus no more than 30% of direct costs as a development fee which shall be due and payable in periodic installments as billed; (ii) to the extent not paid under the existing license agreement, TheraCour can charge a development fee of \$25,000 per month for usage of lab supplies and chemicals from TheraCour's existing stock; (iii) the Company will pay TheraCour the amount of \$2,000 or actual costs, whichever is greater, for other general and administrative expenses incurred by TheraCour on its behalf; (iv) the Company make royalty payments (calculated as a percentage of net sales of the licensed drugs) of 15% to TheraCour; (5) TheraCour shall retain the exclusive right to develop and manufacture the licensed drugs; and (vi) TheraCour may request the Company to pay an advance payment (refundable) equal to twice the amount of the previous months invoice to be applied as a prepayment towards expenses. The Company does not anticipate any material increase in direct payments for development fees or for general and administrative expenses, to TheraCour, as a result of this Additional License Agreement.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibit index

Exhibit

3.1 Amended By-Laws

4.1 Certificate of Designation of Rights and Preferences of Series A Convertible Preferred Stock

10.1 Additional License Agreement between NanoViricides, Inc. and TheraCour Pharma, Inc.

31.1 Certification of Chief Executive and Interim Chief Financial Officer required by Rule 13a-14(a) or Rule 15d-14(a) under the Securities Exchange Act of 1934, as amended.

32.1 Certification of Chief Executive Officer and Interim Chief Financial Officer required by Rule 13a-14(b) or Rule 15d-14(b) under the Securities Exchange Act of 1934, as amended, and 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.



(b) Reports on Form 8-K. During the fiscal quarter ended December 31, 2009, the Company filed the following Current Reports on Form 8-K:

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On October 5, 2009, the Company filed a Current Report disclosing that it had accepted subscriptions from certain investors in the aggregate amount of \$3,217,400 from the offerings of shares of the Company's common stock and warrants to purchase common stock and the exercise by the Company's warrant holders of their outstanding warrants. In the Company's offering of Units comprised of shares of common stock and warrants to purchase common stock, the Company accepted subscriptions for \$1,337,500 for Units consisting of 2,675,000 shares and Warrants to purchase an additional 1,337,500 shares. In the offering to its warrant holders, the Company raised an aggregate of \$1,879,900 for 3,759,800 shares and warrants to purchase 3,759,800 shares.

Additionally, the Company amended its disclosures previously reported in its Current Report on Form 8-K filed on July 10, 2009, to reflect that the Company accepted subscriptions from its warrant holders for an aggregate of \$1,025,350 (revised downward from \$1,050,350) for 2,050,700 shares of common stock and warrants to purchase 2,050,700 shares of common stock (revised downward from 2,100,700 shares and warrants). The Company also reported that in a separate offering which also closed on July 7, 2009, the Company accepted subscriptions of \$75,000 for 150,000 shares of common stock and warrants to purchase an additional 75,000 shares.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: February 22, 2010

NANOVIRICIDES, INC.

/s/ Eugene Seymour, MD

Eugene Seymour, M.D.

Chief Executive Officer and Interim Chief Financial Officer and Director

(Principal Executive and Financial Officer)

/s/ Anil Diwan

Anil Diwan,

President and Chairman of the Board of Directors