Position Paper 2.112
Accounting and Valuation of Geovax Interests

Responsible Official: VP for Finance
Administering Division/Department: Controller’s Office
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I. Overview

To provide guidelines for the accounting and valuation of Geovax Labs Inc. stock and interests. Geovax is a publicly traded technology firm (GOVX) in which the University owns shares and has a significant interest with restrictions on our ability to sell the stock.

II. Applicability

All finance employees.

III. Position Paper Details

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2.111.1 Overview

Due to the University’s involvement as a founder of Geovax, the University was the recipient of 233,905,253 shares of the company at the time of its initial public offering on September 28, 2006. The University continues to maintain its interest in the company.

2.111.2 Evaluation of Interest

For Fiscal 2007, it is recommended Geovax stock not be valued at the full market price but at a discount of 50% of the market value is warranted for the following reasons:
1. As explained in a September 30, 2007 letter from Rieck and Crotty, the University’s shares are restricted until the shares have been held for one year, at which point restrictions will be released. According to the SEC Rule 144, the rule is intended to prevent public trading in securities when there is inadequate information available to the public. While the University may be able to elect to transfer shares to another entity by completing a Rule 144(k) letter, it is highly likely the University would also have to compensate the entity for the risk inherent in the stock which may not be reflected in the published share price. The amount of this compensation would be an adjustment to the published market value of the stock and cannot be reasonably determined.

2. It is not probable that the University could sell 234 million shares at the 8/31/07 published price of $0.30 per share. Sales of this volume would occur over several years and at values that may be significantly different from 8/31/07.

3. Calculations utilizing a theoretical valuation of at-the-money put options for GeoVax Labs Inc. supports the discount proposed and is a reasonable methodology based on the opinion of Emory Investment Management (EIM).

The valuation assumes the appropriate volatility is a multiple of the most recent historical volatility corresponding to the maturity period, ranging from 100% to 120%. Assuming existing shares were divided equally among the different maturity put options, the cost of assuring a floor at the current stock price ranges from 45.9% of the underlying value of the equity to 53.1%.

2.111.3 Accounting Guidelines

The University will reflect the value of Geovax shares at a 50% discount for Fiscal 2007 and be evaluated for subsequent years until all restrictions are released. We will disclose the transaction, number of shares, the published market value per share and the undiscounted market value in financial statement notes included in year end reporting. It is expected shares will be available to market during subsequent fiscal years following the initial public offering (IPO), during which time an adjustment may be proposed to reflect an increase or decrease in the market value of the shares.

IV. Definitions

Geovax: Geovax Labs, Inc. is a publicly traded company. The University holds shares and an interest in this company.

V. Related Links and Resources

- Current Version of this Position Paper: http://policies.emory.edu/2.112

VI. Contact Information

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<tr>
<th>Subject</th>
<th>Contact</th>
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<tbody>
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VII. Revision History

No previous versions of this position paper were found.

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