

NANO VIRICIDES, INC.  
Form 10-Q  
May 10, 2016

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**FORM 10-Q**

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

**For the quarterly period ended March 31, 2016**

*Commission File Number: 333-148471*

**NANO VIRICIDES, INC.**

*(Exact name of Company as specified in its charter)*

NEVADA	76-0674577
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

**1 Controls Drive**

**Shelton, Connecticut 06484**

*(Address of principal executive offices and zip code)*

*(203) 937-6137*

*(Company's telephone number, including area code)*

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Indicate by check mark whether the Company (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the preceding 12 months (or for such shorter period that the Company 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 Company 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 Company was required to submit and post such files). Yes ☒ No ☐

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

Large accelerated filer ☐ Accelerated filer ☒  
Non-accelerated filer ☐ Smaller reporting company ☐

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

Yes ☐ No ☒

The number of shares outstanding of the Company’s Common Stock as of May 10, 2016 was approximately:  
57,973,000

NanoViricides, Inc.

FORM 10-Q

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NanoViricides, Inc.

## Balance Sheets

	March 31, 2016 (Unaudited)	June 30, 2015
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 25,596,376	\$ 31,467,748
Prepaid expenses	314,489	214,425
Total Current Assets	25,910,865	31,682,173
<b>PROPERTY AND EQUIPMENT</b>		
Property and equipment	13,588,642	13,496,851
Accumulated depreciation	(1,690,724 )	(1,534,203 )
Property and equipment, net	11,897,918	11,962,648
<b>TRADEMARK</b>		
Trademark and patents	458,954	458,954
Accumulated amortization	(65,419 )	(59,217 )
Trademark and patents, net	393,535	399,737
<b>OTHER ASSETS</b>		
Security deposits	6,239	-
Service agreements	108,951	142,531
Total Other Assets	115,190	142,531
Total Assets	\$ 38,317,508	\$ 44,187,089
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 71,860	\$ 89,517
Accounts payable – related party	380,865	316,196
Debentures payable - Series B, net of discount	5,271,087	-
Derivative liability-Series B debentures	650,392	-
Accrued expenses	78,369	28,515
Deferred interest payable – current portion	166,668	166,667
Total Current Liabilities	6,619,241	600,895
Debentures payable - Series B, net of discount	-	4,700,582
Debentures payable – Series C, net of discount	2,956,763	2,480,605

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Derivative liability-Series B debentures	-	366,764
Derivative liability-Series C debentures	582,966	476,289
Derivative liability-warrants	3,968,388	3,442,754
Deferred interest payable – long term portion	208,332	333,333
Total Long Term Liabilities	7,716,449	11,800,327
 Total Liabilities	 14,335,690	 12,401,222

COMMITMENTS AND CONTINGENCIES

STOCKHOLDERS' EQUITY:

Series A Convertible Preferred stock, \$0.001 par value, 8,500,000 shares designated, 4,056,592 and 3,583,445 shares issued and outstanding at March 31, 2016 and June 30, 2015, respectively	4,057	3,584
Common stock, \$0.001 par value; 150,000,000 shares authorized, 57,973,199 and 57,242,070 shares issued and outstanding at March 31, 2016 and June 30, 2015, respectively	57,973	57,242
Additional paid-in capital	87,093,276	85,824,613
Accumulated deficit	(63,173,488 )	(54,099,572 )
 Total Stockholders' Equity	 23,981,818	 31,785,867
 Total Liabilities and Stockholders' Equity	 \$ 38,317,508	 \$ 44,187,089

*See accompanying notes to the financial statements*

NanoViricides, Inc.

## Statements of Operations

(Unaudited)

	For the Three Months Ended March 31, 2016	For the Three Months Ended March 31, 2015	For the Nine Months Ended March 31, 2016	For the Nine Months Ended March 31, 2015
OPERATING EXPENSES				
Research and development	\$ 1,067,495	\$ 546,464	\$ 3,427,068	\$ 2,274,310
General and administrative	980,731	576,173	2,936,510	2,186,078
Total operating expenses	2,048,226	1,122,637	6,363,578	4,460,388
LOSS FROM OPERATIONS	(2,048,226 )	(1,122,637 )	(6,363,578 )	(4,460,388 )
OTHER INCOME (EXPENSE):				
Interest (expense) income	39,116	35,009	43,378	(10,002 )
Interest expense	(301,115 )	(1,920,268 )	(791,115 )	(2,412,712 )
Discount on convertible debentures	(362,993 )	(297,276 )	(1,046,663 )	(860,454 )
Change in fair value of derivatives	(2,318,453 )	3,054,154	(915,938 )	6,463,095
Other (expense) income	(2,943,445 )	871,619	(2,710,338 )	3,179,927
LOSS BEFORE INCOME TAX PROVISION	(4,991,671 )	(251,018 )	(9,073,916 )	(1,280,461 )
INCOME TAX PROVISION	-	-	-	-
NET LOSS	\$(4,991,671 )	\$(251,018 )	\$(9,073,916 )	\$(1,280,461 )
NET LOSS PER COMMON SHARE				
- Basic	\$(0.09 )	\$(0.00 )	\$(0.16 )	\$(0.02 )
- Diluted	\$(0.09 )	\$(0.02 )	\$(0.16 )	\$(0.07 )
Weighted average common shares outstanding				
- Basic	57,836,770	56,941,122	57,565,406	56,356,105
- Diluted	57,836,770	59,607,788	57,565,406	59,022,772

*See accompanying notes to the financial statements*





NanoViricides, Inc.

Statement of Changes in Stockholders' Equity

For the period from June 30, 2015 through March 31, 2016

(Unaudited)

	Series A Preferred Stock: Par \$0.001		Common Stock: Par \$0.001		Additional	Accumulated	Total
	Number of	Amount	Number of	Amount	Paid-in	Deficit	Stockholders'
	Shares		Shares		Capital		Equity
Balance, June 30, 2015	3,583,445	\$ 3,584	57,242,070	\$57,242	\$ 85,824,613	\$ (54,099,572)	\$ 31,785,867
Common Shares issued for employee stock bonus	-	-	1,295	1	3,299	-	3,300
Series A Preferred Shares issued for employee stock compensation	473,147	473	-	-	547,473	-	547,946
Common Share issued for consulting and legal services rendered	-	-	80,197	80	105,920	-	106,000
Warrants issued to Scientific Advisory Board	-	-	-	-	29,422	-	29,422
Common Shares issued for Directors fees	-	-	23,704	24	33,726	-	33,750
Common Shares issued upon stock option exercise	-	-	313,155	313	(313 )	-	-
Warrants issued for Series B debenture interest	-	-	-	-	56,115	-	56,115
Common Shares issued for debenture interest	-	-	312,778	313	493,021	-	493,334

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Net loss	-	-	-	-	-	(9,073,916 )	(9,073,916 )
Balance, March 31, 2016	4,056,592	\$ 4,057	57,973,199	\$57,973	\$87,093,276	\$(63,173,488 )	\$23,981,818

See accompanying notes to the financial statements

NanoViricides, Inc.

## Statements of Cash Flows

(Unaudited)

	For the Nine Months Ended March 31, 2016	For the Nine Months Ended March 31, 2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net loss	\$ (9,073,916	) \$ (1,280,461
Adjustments to reconcile net loss to net cash used in operating activities		
Series A Preferred shares issued as compensation	547,946	205,837
Common shares issued as compensation and for services	143,050	116,110
Common shares issued for interest	493,334	1,502,869
Warrants issued to Scientific Advisory Board	29,422	52,130
Warrants issued for Series B Debenture interest	56,115	
Depreciation	488,997	153,996
Amortization	6,202	6,453
Change in fair value of derivative liability	915,938	(6,463,095
Amortization of debt discount on convertible debentures	1,046,663	860,454
Changes in operating assets and liabilities:		
Prepaid expenses	(100,064	) (200,515
Other current assets	-	150,000
Deferred expenses	-	375,000
Other long term assets	27,341	-
Accounts payable	(17,657	) (353,071
Accounts payable - related party	64,669	(115,555
Accrued expenses	49,854	33,215
Deferred interest payable	(125,000	) -
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b>(5,447,105</b>	<b>) (4,956,633</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Collateral advance for affiliate	-	1,000,000
Purchase of property and equipment	(424,267	) (5,564,152
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(424,267</b>	<b>) (4,564,152</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from exercise of warrants	-	6,743,297
<b>NET CHANGE IN CASH</b>	<b>(5,871,372</b>	<b>) (2,777,488</b>

Cash and cash equivalent at beginning of period	31,467,748	36,696,892
Cash and cash equivalent at end of period	\$ 25,596,376	\$ 33,919,404

SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION:

Interest paid	\$ 791,115	\$ -
Income tax paid	\$ -	\$ -

NON CASH FINANCING AND INVESTING ACTIVITIES:

Series A Preferred stock issued as discount on Debentures	\$ -	\$ 1,152,297
Common Stock issued upon cashless exercise of stock options	313	-
Reduction in leasehold improvements and fixtures and accumulated depreciation due to decommissioning of West Haven, CT facilities	332,476	-
Issuance of Series C Debenture for deposit received	-	5,000,000
Bifurcation of embedded derivative	-	1,879,428

*See accompanying notes to the financial statements*

**NANO VIRICIDES, INC.**

**March, 2016 AND 2015**

**NOTES TO THE 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. which 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 as a Nevada corporation. On May 12, 2005, the corporations were merged and Edot-com.com, Inc., the Nevada corporation, became the surviving entity.

On June 1, 2005, Edot-com.com, Inc. ("ECMM") acquired Nanoviricides, 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. 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 the Company'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 Exchange transaction, the former NVI stockholders held approximately 80% of the voting capital stock of the Company immediately after the Exchange. For financial accounting purposes, this 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. 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, Edot-com.com, Inc. changed its name to NanoViricides, Inc. and its stock symbol to "NNVC", respectively.

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. NanoViricides is unique in the bio-pharma field in that it possesses its own state of the art facilities for the design, synthesis, analysis and characterization of the nanomedicines that we develop, as well as for production scale-up, and e-GMP-like production in quantities needed for human clinical trials. The biological studies such as the effectiveness, safety, bio-distribution and Pharmacokinetics/Pharmacodynamics on our drug candidates are performed by external collaborators and contract organizations.

We are a company with several drugs in various stages of early development. Our drugs are based on several patents, patent applications, provisional patent applications, and other proprietary intellectual property held by TheraCour Pharma, Inc. (“TheraCour”), to which we have the necessary exclusive licenses in perpetuity. The first agreement we executed with TheraCour on September 1, 2005, gave us an exclusive, worldwide license for the treatment of the following human viral diseases: Human Immunodeficiency Virus (HIV/AIDS), Hepatitis B Virus (HBV), Hepatitis C Virus (HCV), Herpes Simplex Virus (HSV), Influenza and Asian Bird Flu Virus.

On February 15, 2010 the Company executed an Additional License Agreement with TheraCour. Pursuant to the 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 2,000,000 shares (adjusted for the 3.5 to 1 reverse split) 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 3.5 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 nine votes per share. The Series A Preferred Stock do not contain any rights to dividends, have no liquidation preference, and are not to be amended without the Holder’s approval. The 2,000,000 shares were valued at the par value of \$2,000.

## **Note 2 - Summary of Significant Accounting Policies**

### **Basis of Presentation – Interim Financial Information**

The accompanying unaudited interim financial statements and related notes have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) for interim financial information and with the instructions to Form 10-Q and Article 10 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 U.S. GAAP for complete financial statements. The unaudited interim financial statements furnished reflect all adjustments (consisting of normal recurring accruals) which are, in the opinion of management, considered necessary for a fair presentation of the results for the interim periods presented. Interim results are not necessarily indicative of the results for the full year. 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 fiscal year ended June 30, 2015 filed with the SEC on September 14, 2015.

For a summary of significant accounting policies, see the Company’s Annual Report on Form 10-K for the fiscal year ended June 30, 2015 filed on September 14, 2015.

### **Reclassification**

Certain prior year amounts have been reclassified for consistency with the current year presentation. These reclassifications had no effect on the reported results or operations.

### **Net Income (Loss) per Common Share**

Basic net income (loss) per common share is computed by dividing net income (loss) by the weighted average number of shares of common stock outstanding during the period. Diluted net income (loss) per common share is computed by dividing net income (loss) by the weighted average number of shares of common stock and potentially outstanding shares of common stock during the period to reflect the potential dilution that could occur from common shares issuable through stock options, warrants, convertible preferred stock, and convertible debentures.

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The following table shows the number of potentially outstanding dilutive common shares excluded from the diluted net income (loss) per common share calculation as they were anti-dilutive:

	Potentially Outstanding Dilutive Common Shares	
	For the Nine Months Ended March 31, 2016	For the Nine Months Ended March 31, 2015
Stock options	-	535,715
Warrants	6,599,552	5,959,527
Total potentially outstanding dilutive common shares	6,599,552	6,495,242



In addition, the Company has issued Convertible Debentures to investors. A portion of the interest required to be paid on the debentures had been paid in shares of the Company's \$0.001 par value common stock ("Interest Shares") according to the terms of such debenture. No additional Interest Shares are required to be issued under the terms of the debenture. The Company issued 571,433 warrants on February 1, 2016 relating to the additional interest to be paid on the Series B debentures, under the terms of the debenture. Coupon interest payable quarterly related to the Series B debentures is payable in cash or shares of Common Stock at the average of the open and close value on the date such interest payment is due at the option of the Holder. For the quarters ended March 31, 2016 and December 31, 2015, two Holders of the Series B debentures elected to receive quarterly interest in restricted common stock of the Company. These two Holders are controlled by Dr. Milton Boniuk, a director of the Company.

At March 31, 2016, the number of potentially dilutive shares of the Company's common stock into which the Series B debentures can be converted based upon the conversion price of \$3.50 is 1,714,286.

The Company has also issued 4,056,592 shares Series A Preferred Stock to investors and others as of March 31, 2016. Only in the event of a "change of control" of the Company, each Series A preferred share is convertible to 3.5 shares of its new common stock. A "Change of Control" is defined as an event in which the Company's shareholders become 60% or less owners of a new entity as a result of a change of ownership, merger or acquisition. In the absence of a Change of Control event, the Series A Preferred Stock is not convertible into Common Stock, and does not carry any dividend rights or any other financial effects. At March 31, 2016, the number of potentially dilutive shares of the Company's common stock into which these Series A Preferred shares can be converted into is 14,198,072 and is not included in diluted earnings per share since the shares are contingently convertible only upon a Change of Control.

Pursuant to the redemption provisions of the Series C Debentures, the Company, at its sole option, shall have the right, but not the obligation, to repurchase the Debenture at any time prior to the Maturity Date (the "Redemption"). If the Company intends to repurchase the Debenture, and if the closing bid price of the Common Stock is greater than \$5.25 on the Redemption Date, unless the Holder, on or prior to the Redemption Date, elects to receive the "Redemption Payment", as that term is defined herein, the Company shall pay to the Holder: (i) 952,381 shares of Common Stock in consideration of the exchange of the principal amount of the Debenture; and (ii) any and all accrued coupon interest. If on or prior to the Redemption Date, the Holder elects to receive the Redemption Payment, or the closing bid price of the Common Stock is less than \$5.25, the Company shall issue to the Holder: (i) the principal amount of the Debenture; (ii) any accrued coupon interest; (iii) additional interest of 7% per annum for the period from the date of issuance of the Debenture to the Redemption Date; and (iv) warrants to purchase 619,048 shares of Common Stock which shall expire in three years from the date of issuance at an exercise price of \$6.05 per share of Common Stock (the "Redemption Warrants", and collectively with (i) – (iii), the "Redemption Payment"). The Company shall use its best efforts to register the shares underlying the Redemption Warrants under a "shelf" registration statement, provided same is available to the Company, in accordance with the provisions of the Securities Act. Coupon interest payable quarterly related to the Series C debenture is payable in cash or shares of common stock at the average of the open and close price. Such interest payment is due at the option of the Holder. For the quarters ended March 31, 2016 and December 31, 2015, the Holder of the Series C Debenture elected to receive the quarterly interest in restricted common stock of the Company. The Holder is an entity controlled by Dr. Milton Boniuk, a director of the Company.

At March 31, 2016, the number of potential dilutive shares of the Company's common stock into which the Series C debentures can be converted based upon the conversion provisions contained in the debenture is 952,381.

The following represents a reconciliation of the numerators and denominators of the basic and diluted per share calculations for (loss) income from continuing operations:

	For the three months ended		For the nine months ended	
	March	March	March	March
	31,	31,	31,	31,
	2016	2015	2016	2015
Calculation of basic loss per share of common stock:				
Net loss attributable to common stockholders	\$(4,991,671 )	\$(251,018 )	\$(9,073,916 )	\$(1,280,461 )
Denominator for basic weighted average shares of common stock	57,836,770	56,941,122	57,565,406	56,356,105
Basic loss per share of common stock	\$(0.09 )	\$(0.00 )	\$(0.16 )	\$(0.02 )
Calculation of diluted loss per share of common stock:				
Net loss attributable to common stockholders	\$(4,991,671 )	\$(251,018 )	\$(9,073,916 )	\$(1,280,461 )
Add: Income impact of assumed conversion of Debentures	-	(696,103 )	-	(2,740,562 )
Net loss attributable to common stockholders plus assumed conversions	\$(4,991,671 )	\$(947,121 )	\$(9,073,916 )	\$(4,021,023 )
Denominator for basic weighted average shares of common stock	57,836,770	56,941,122	57,565,406	56,356,105
Incremental shares from assumed conversions of Debentures payable	-	2,666,667	-	2,666,667
Denominator for diluted weighted average shares of common stock	57,836,770	59,607,789	57,565,406	59,022,772
Diluted loss per share of common stock	\$(0.09 )	\$(0.02 )	\$(0.16 )	\$(0.07 )

Series B and Series C debentures were excluded from the diluted loss per share calculation for the three and nine months ended March 31, 2016 because the impact is anti-dilutive.

#### Recently Issued Accounting Pronouncements

In August 2014, the FASB issued ASU No. 2014-15, "Presentation of Financial Statements - Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern" ("ASU 2014-15"). ASU 2014-15 is intended to define management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern and to provide related footnote disclosures. Specifically, ASU 2014-15

provides a definition of the term substantial doubt and requires an assessment for a period of one year after the date that the financial statements are issued (or available to be issued). It also requires certain disclosures when substantial doubt is alleviated as a result of consideration of management's plans and requires an express statement and other disclosures when substantial doubt is not alleviated. The new standard will be effective for reporting periods beginning after December 15, 2016, with early adoption permitted. Management is currently evaluating the impact of the adoption of ASU 2014-15 on the Company's financial statements and disclosures.

In November 2014, the FASB issued ASU 2014-16, "Derivatives and Hedging (Topic 815)." ASU 2014-16 addresses whether the host contract in a hybrid financial instrument issued in the form of a share should be accounted for as debt or equity. ASU 2014-16 is effective for annual periods beginning after December 15, 2015 and interim periods within those fiscal years. Management is currently evaluating the impact of ASU 2014-16 on the Company's financial statements and disclosures.

In April 2015, the FASB issued ASU 2015-03, Interest - Imputation of Interest (Subtopic 835-30), "Simplifying the Presentation of Debt Issuance Costs," which requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. This ASU requires retrospective adoption and will be effective for fiscal years beginning after December 15, 2015 and for interim periods within those fiscal years. We expect the adoption of this guidance will not have a material impact on our financial statements.

### **Note 3- Financial Condition**

The Company's financial statements for the interim period ended March 31, 2016 have been prepared on a going concern basis, which contemplates the realization of assets and settlement of liabilities and commitments in the normal course of business. The Company has a deficit accumulated from inception. In addition, the Company has not generated any revenues and no revenues are anticipated in the short-term. Since May 2005, the Company has been engaged exclusively in research and development activities focused on developing targeted antiviral drugs. The Company has not yet commenced any product commercialization. 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. As of March 31, 2016 the Company had cash and cash equivalents of \$25,596,376. The Company's Series B Convertible Debenture, in the amount of \$6 million, matures on February 1, 2017. The holder(s), at their option, may convert some or all of the sum of the principal balance and accrued interest, if any, into a number of restricted shares of common stock of the Company equal to the outstanding balance being converted divided by \$3.50. Any principal balance not being converted will be paid in cash on February 1, 2017. The Company has sufficient capital to continue its business, at least, through March 31, 2018, at the current rate of expenditure.

While the Company continues to incur significant operating losses with significant capital requirements, the Company has been able to finance its business through sale of its securities. The Company may require additional capital to finance currently unplanned capital costs and additional staffing requirements, if they arise, during the next 24 months. The Company has in the past adjusted its priorities and goals in line with the cash on hand and capital availability. The Company believes it can adjust its priorities of drug development and its plan of operations as necessary, if it is unable to raise additional funds.

### **Note 4 - Related Party Transactions**

#### Related Parties

Related parties with whom the Company had transactions are:

<b>Related Parties</b>	<b>Relationship</b>
Anil R. Diwan	Chairman, President, significant stockholder and director
Eugene Seymour	CEO, Significant shareholder, Director
TheraCour Pharma, Inc.	An entity owned and controlled by a significant stockholder
InnoHaven, LLC	An entity owned and controlled by a significant stockholder
Milton Boniuk, MD	Director and significant stockholder

Property and Equipment

	For the three months ended		For the nine months ended	
	March 31, 2016	March 31, 2015	March 31, 2016	March 31, 2015
The Company acquired 1 Controls Drive, Shelton, Connecticut from InnoHaven, LLC	-	\$ 4,222,549	-	\$ 4,222,549
During the reporting period, TheraCour Pharma, Inc. acquired property and equipment on behalf of the Company from third party vendors and sold such property and equipment, at cost, to the Company	\$ 8,022	\$ 222,585	\$ 22,670	\$ 222,585

Account Payable – Related Party

	As of	
	March 31, 2016	June 30, 2015
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: HIV, HCV, Herpes, Asian (bird) flu, Influenza and rabies. In consideration for obtaining this exclusive license, 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) we will 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. Accounts payable due TheraCour Pharma Inc. on the reporting date was	\$380,865	\$316,196

	For the three months ended		For the nine months ended	
	March 31, 2016	March 31, 2015	March 31, 2016	March 31, 2015
Research and Development Costs Paid to Related Parties				
Development fees and other costs charged by and paid to TheraCour Pharma, Inc. pursuant to exclusive License	\$ 751,203	\$ 398,407	\$ 2,763,817	\$ 1,688,547

Agreements between TheraCour and the Company for the development of the Company's drug pipeline. No royalties are due TheraCour from the Company at March 31, 2016 and 2015

Long-Term Debentures Payable to a Director

	As of March 31, 2016	June 30, 2015
Series B Convertible Debentures - Milton Boniuk	\$4,000,000	\$4,000,000
Series C Convertible Debentures - Milton Boniuk	5,000,000	5,000,000
Total Long Term Debentures Payable to a Director	\$9,000,000	\$9,000,000

	As of March 31, 2016	June 30, 2015
Debt Interest Paid to a Director		
Coupon interest payable on \$5,000,000 Series C Convertible Debentures and deferred. The deferred interest is paid out quarterly over the remaining term of the debenture commencing September 30, 2015:		
Deferred interest payable - short-term	\$166,668	\$166,667
Deferred interest payable - long-term	208,332	333,333
	\$375,000	\$500,000

Coupon interest expense on the Series B Debentures to Dr. Milton Boniuk for the three months ended March 31, 2016 and 2015 was \$80,000 and \$80,000 respectively, and for the nine months ended March 31, 2016 and 2015 was \$240,000 and \$240,000, respectively.

Coupon interest expense recognized on Series C Debentures to Dr. Milton Boniuk for the three months ended March 31, 2016 and 2015 was \$125,000 and \$125,000, respectively and for the nine months ended March 31, 2016 and 2015 was \$375,000 and \$375,000, respectively.



**Note 5 - Property and Equipment**

Property and equipment, stated at cost, less accumulated depreciation consisted of the following:

	March 31, 2016	June 30, 2015
Land	\$260,000	\$260,000
GMP Facility	7,996,402	7,905,938
Office Equipment	76,056	65,241
Furniture and Fixtures	5,607	1,400
Lab Equipment	5,250,577	5,264,272
Total Property and Equipment	13,588,642	13,496,851
Less Accumulated Depreciation	(1,690,724 )	(1,534,203 )
Property and Equipment, Net	\$11,897,918	\$11,962,648

Depreciation expense for the three months ended March 31, 2016 and 2015 were \$163,511 and \$51,332 respectively and for the nine months ended March 31, 2016 and 2015 were \$488,997 and \$153,996, respectively.

In the current reporting period the Company completed the transfer of laboratories and personnel from its previous laboratory facilities at 135 Wood Street, West Haven, CT to 1 Controls Drive, Shelton, CT. The Company recorded the abandonment of fully depreciated nonremovable laboratory fixtures and leasehold improvements associated with the 135 Wood Street rented facility of \$332,476 as a reduction to Property and Equipment with a corresponding reduction to Accumulated Depreciation.

**Note 6 - Trademark and Patents**

Trademark and patents, stated at cost, less accumulated amortization consisted of the following:

	March 31, 2016	June 30, 2015
Trademarks and Patents	\$ 458,954	\$458,954
Less Accumulated Amortization	(65,419 )	(59,217 )
Trademarks and Patents, Net	\$ 393,535	\$399,737

Amortization expense amounted to \$2,067 and \$2,067 for the three months ended March 31, 2016 and 2015 respectively and \$6,202 and \$6,453 for the nine months ended March 31, 2016 and 2015 respectively.

**Note 7 – Convertible Debentures**

On February 1, 2013, the Company raised gross proceeds of \$6,000,000 which includes \$4,000,000 from a family investment office and a charitable foundation controlled by Dr. Milton Boniuk, a member of the Company's board of directors, through the issuance of our Series B Debentures. The investors purchased unsecured convertible debentures with a 4-year term. The debentures bear an interest rate of 8% p.a. payable quarterly in cash or the Holder at its option may elect to receive such coupon interest payment in shares of common stock and calculated on the date of issuance, using the average of the open and close prices of the Company's common stock on the date such interest payment is due. For the three and nine months ended March 31, 2016 the Company paid cash interest of \$40,000 and \$200,000 respectively. Two holders of the Company's Series B Convertible Debentures elected to receive quarterly coupon interest of \$80,000 and \$160,000 in restricted common shares of the Company. For the three and nine month ended March 31, 2016, the Board of Director authorized the issuance of 33,474 and 101,558 shares of the Company's restricted \$0.001 par value common shares in payment of the coupon interest. Additional interest was payable in restricted common stock of 571,429 shares at issuance, February 1, 2014, and 2015, and additional interest of 571,433 warrants was paid on February 1, 2016. The warrants are exercisable at \$3.50 per warrant and will be valid for 3 years after issuance. The investors can convert the principal of the debentures and any accrued interest into common stock at a fixed price of \$3.50 per share. The Company can prepay the debentures, in which case the base interest rate shall increase by a 7% prepayment penalty. The Company agreed to use its best efforts to register the interest shares and the shares issuable from the interest warrants under a "shelf" registration statement provided same is available, in accordance with the provisions of the Securities Act.

The following table presents the balance of the Series B Debenture payable, net of discount at March 31, 2016 and June 30, 2015. The debt discount is being accreted to interest expense over the term of the debenture:

	March 31, 2016	June 30, 2015
Proceeds	\$6,000,000	\$6,000,000
Debt discount for bifurcated derivative	(2,735,310)	(2,735,310)
	3,264,690	3,264,690
Accumulated amortization of debt discount	2,006,397	1,435,892
Debenture payable - Series B, net	\$5,271,087	\$4,700,582

The debenture contains embedded derivatives which are not clearly and closely related to the host instrument. The embedded derivatives are bifurcated from the host debt instrument and treated as a liability.

The single compound embedded derivative features valued include the:

- 1.Principal conversion feature at maturity based on fixed conversion price subject to standard adjustments.
- 2.Redemption additional interest and Redemption Warrants offering.
- 3.Additional Interest Shares and Interest Warrants.

The Company recognized amortization of this discount as an additional interest charge to “Discount on convertible debentures” for the three month periods ended March 31, 2016 and 2015 in the amount of \$196,074 and \$166,543 respectively, and for the nine month periods ended March 31, 2016 and 2015 in the amount of \$570,505 and \$488,161, respectively

The Company used a lattice model that values the compound embedded derivatives of the Series B Convertible Debenture based on a probability weighted discounted cash flow model at March 31, 2016 and June 30, 2015, respectively.

The following assumptions were used for the valuation of the compound embedded derivative at March 31, 2016 and June 30, 2015:

- The balance of the Series B Convertible Debenture as of March 31, 2016 and June 30, 2015 is \$6,000,000;

- The underlying stock price was used as the fair value of the common stock; The stock price increased to **\$2.19** at March 31, 2016 and higher projected annual volatility increased the warrant value with the \$3.50 exercise price. The stock price decreased to \$1.75 at June 30, 2015 which decreased the warrant value with the \$3.50 exercise price;

- The projected annual volatility was based on the Company historical volatility:

**1 year**

**3/31/2016 75.7%**

**6/30/15 62.1%**

- An event of default would occur 0% of the time, increasing 1.00% per month to a maximum of **10%**;

The Company would redeem the debentures projected initially at 0% of the time and increase monthly by 1.0% to a maximum of **20.0%** (from alternative financing being available for a Redemption event to occur);

The Holder would automatically convert the interest if the Company was not in default and its shares value would be equivalent to the cash value;

The Holder would automatically convert the debenture at maturity if the registration was effective and the Company was not in default.

The Weighted Cost of Capital discount rate (based on the Market Value of the transaction at issuance) adjusted for changes in the risk free rate is **21.74%**.

Even though the shares are restricted the underlying assumption is that any restriction on resale will be removed either through registration or the passage of time at the time of issuance.

The fair value of the compound embedded derivatives of the Series B Convertible Debenture at March 31, 2016 and June 30, 2015 was \$650,392 and \$366,764, respectively.

On July 2, 2014 (the "Closing Date"), the Company accepted a subscription in the amount of \$5,000,000 for a 10% Coupon Series C Convertible Debenture (the "Debenture") from Dr. Milton Boniuk, a member of the Company's Board of Directors (the "Holder"). The Debenture is due on June 30, 2018 (the "Maturity Date") and is convertible, at the sole option of the Holder, into restricted shares of the Company's common stock, par value \$0.001 per share (the "Common Stock") at the conversion price of \$5.25 per share of Common Stock. The Debenture bears interest at the coupon rate of ten percent (10%) per annum, computed on an annual basis of a 365 day year, payable in quarterly installments on March 31, June 30, September 30 and December 31 of each calendar year until the Maturity Date. In accordance with the debenture agreement, the interest for the initial year of the debenture for a total of \$500,000 shall be deferred and paid over the remainder of the term. The Holder at its option may choose to receive such coupon interest payment in shares of Common Stock calculated using the average of the open and close prices of the Company's common stock on the date such interest payment is due. For the three months ended December 31, 2015 the Holder of the Company's C Convertible Debenture elected to receive the quarterly coupon interest of \$166,667 in restricted common shares of the Company. The Board of Directors authorized the issuance of 141,484 shares of the Company's restricted \$.001 par value common shares in payment of such coupon interest. For the three months ended March 31, 2016 the Holder of the Company's C Convertible Debenture elected to receive the quarterly coupon interest of \$166,667 in restricted common shares of the Company. The Board of Directors authorized the issuance of 69,736 shares of the Company's restricted \$.001 par value common shares in payment of such coupon interest. For the three and nine months ended March 31, 2016, the Company paid cash interest of \$166,667 on the Series C Debentures. The Company has the right, but not the obligation, to repay the Debenture prior to the Maturity Date (the "Redemption Payment"). If the closing bid price of the Common Stock is in excess of \$5.25 when the Company notifies the Holder it has elected to prepay the Debenture (the "Redemption Date"), the Company must redeem the Debenture by delivering to the Holder 952,381 shares of Common Stock and any unpaid coupon interest in lieu of a cash Redemption Payment. If the Holder elects to

receive the Redemption Payment in cash, or if the closing bid price of the Common Stock is less than \$5.25, the Company shall pay to the Holder a Redemption Payment in cash equal to the principal amount of the Debenture, plus any accrued coupon interest, plus additional interest of 7% per annum for the period from the Closing Date to the Redemption Date and warrants to purchase 619,048 shares of Common Stock which shall expire in three years from the date of issuance at the exercise price of \$6.05 per share of Common Stock. The Company cannot conclude that it has sufficient authorized and unissued shares to settle the contract after considering all other commitments that may require the issuance of stock during the maximum period the derivative instrument could remain outstanding. This is due to the fact that the interest payments are payable in stock of the Company, at the option of the Holder, based on the current market price of the common stock on the date such payments are due. Therefore, the number of shares due as interest payments is essentially indeterminate and the Company cannot conclude that it has sufficient authorized and unissued shares to settle the conversion feature. Accordingly, the Company bifurcated the embedded features from the host contract and recorded them as a derivative liability at fair value. A debt discount was recognized in the same amount as the derivative liability associated with embedded features bifurcated from the Series C Convertible Debenture.

On July 2, 2014, in conjunction with the issuance of the Company's Series C Convertible Debentures, the Company issued 187,000 shares of its Series A Convertible Preferred stock (the "Series A") to Dr. Milton Boniuk, pursuant to the terms of the Debenture. Proceeds received in a financing transaction are allocated to the instruments issued prior to evaluating hybrid contracts for bifurcation of embedded derivatives. Since the Series A Convertible Preferred Stock is classified as equity, the proceeds allocated to the Preferred Stock are recorded at relative fair value. The fair value of the Series A was \$1,645,606 at issuance and the relative fair value was calculated as \$1,152,297. The remaining amount of the proceeds was allocated to the Debenture and a debt discount of \$1,152,297 was recorded to offset the amount of the proceeds allocated to the Series A. Then, the embedded derivative was bifurcated at its fair value of \$1,879,428 with the remaining balance allocated to the host instrument (Debenture). The total debt discount will be amortized over the term of the Debenture using the effective interest method. The Company recognized amortization of this discount as an additional interest charge to "Discount on convertible debentures" in the amount of \$166,919 and \$130,733 for the three month period ended March 31, 2016 and 2015 respectively and \$476,158 and \$606,891 for the nine month periods ended March 31, 2016 and 2015 respectively.

The following represents the balance of the Debenture payable – Series C, net of discount at March 31, 2016 and June 30, 2015:

	March 31, 2016	June 30, 2015
Proceeds	\$5,000,000	\$5,000,000
Debt Discount:		
Series A Preferred	(1,152,297)	(1,152,297)
Embedded derivative	(1,879,428)	(1,879,428)
	1,968,275	1,968,275
Accumulated amortization of debt discount	988,488	512,330
Debenture payable - Series C, net	\$2,956,763	\$2,480,605

The Company used a lattice model that values the compound embedded derivatives of the Series C Convertible Debenture based on a probability weighted discounted cash flow model at March 31, 2016 and June 30, 2015.

The following assumptions were used for the valuation of the compound embedded derivative at March 31, 2016 and June 30, 2015:

- The balance of the Series C Convertible Debenture as of March 31, 2016 and June 30, 2015 is \$5,000,000;

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The underlying stock price was used as the fair value of the common stock; The stock price increased to **\$2.19** at March 31, 2016 and higher projected annual volatility increased the warrant value with the \$6.05 exercise price. The stock price decreased to \$1.75 at June 30, 2015 which decreased the warrant value with the \$6.05 exercise price;

·The projected annual volatility was based on the Company historical volatility:

**1 year**

**3/31/16 75.7%**

**6/30/15 62%**

·An event of default would occur 0% of the time, increasing 1.00% per month to a maximum of **10%**;



The Company would redeem the debentures projected initially at 0% of the time and increase monthly by 1.0% to a maximum of **5.0%** (from alternative financing being available for a Redemption event to occur);

The Holder would automatically convert the interest if the Company was not in default and its shares value was equivalent to the cash value;

The Holder would automatically convert the debenture at maturity if the registration was effective and the Company was not in default.

The weighted cost of capital discount rate (based on the market value of the transaction at issuance) adjusted for changes in the risk free rate is **21.74%** and 21.97%, respectively.

Even though the shares are restricted the underlying assumption is that any restriction on resale will be removed either through registration or the passage of time at the time of issuance.

The fair value of the compound embedded derivatives of the Series C Convertible Debenture at March 31, 2016 and June 30, 2015 was \$582,966 and \$476,289, respectively.

## **Note 8 - Equity Transactions**

On July 21, 2015, the Board of Directors approved a new employment agreement with Dr. Anil Diwan, the Company's president. Pursuant to the terms of the employment agreement, the Company's Board of Directors authorized the issuance of 225,000 of the Company's Series A preferred shares to Dr. Diwan. 75,000 shares will vest on June 30, 2016 and the remainder of the shares will vest over the three years of the employment agreement and are subject to forfeiture. The Company recognized a non cash compensation expense related to the issuance of the Series A Preferred Shares of \$77,336 for the three months ended March 31, 2016 and \$232,008 for the nine months ended March 31, 2016.

On July 21, 2015, the Board of Directors approved a new employment agreement with Dr. Eugene Seymour, the Company's Chief Executive Officer. Pursuant to the terms of the employment agreement, the Company's Board of Directors authorized the issuance of 225,000 of the Company's Series A preferred shares to Dr. Seymour. 75,000 shares will vest on June 30, 2016 and the remainder of the shares will vest over the three years of the employment agreement and are subject to forfeiture. The Company recognized a non cash compensation expense related to the issuance of the Series A Preferred Shares of \$77,336 for the three months ended March 31, 2016 and \$232,008 for the nine months ended March 31, 2016.

The Company estimated the fair value of the Series A Preferred stock granted to various employees and others on the date of grant. The Series A Preferred stock fair value is based on the greater of i) the converted value to common at a ratio of 1:3.5; or ii) the value of the voting rights since the Holder would lose the voting rights upon conversion. The conversion of the shares is triggered by a Change of Control. The valuations of the Series A Preferred Stock at each issuance used the following inputs:

- a. The common stock price was in the range \$1.16 to \$1.23
- b. The calculated weighted average number of shares of common stock in the period;
- c. A 5.36% premium over the common shares for the voting preferences;
- d. The calculated weighted average number of total voting shares and the monthly shares representing voting rights of 10.49% to 10.53% of the total;
- e. The conversion value is based on an assumption for calculation purposes only of a Change of Control in 4 years from March 1, 2013 for the issuances and a remaining restricted term of 1.33 to 1.17

The 7/21/15 Diwan & Seymour Preferred conversion value is based on the greater of the Change of Control in 4 f. years from 3/1/13 and the vesting on 6/30/16, 6/30/17, and 6/30/18 resulting in a remaining restricted term of **1.63** to **2.94** years;

**28.75%** to **27.14%** restricted stock discount (based on a restricted stock analysis and call-put analysis curve: <sup>g</sup> **64.42%** to **65.16%** volatility, **0.31%** to **0.51%** risk-free rate) applied to the converted common.

For the three and nine months ended March 31, 2016 the Scientific Advisory Board (SAB) was granted fully vested warrants to purchase 17,148 shares of commons stock with an exercise price of \$1.50 per share expiring in August, 2019, warrants to purchase 17,148 shares of common stock with an exercise price of \$1.44 per share expiring November, 2019 and warrants to purchase 17,148 shares of common stock with an exercise price of \$2.18 per share expiring February 2020. The fair value of the warrants was valued at \$12,446 for the three months and \$29,422 for the nine months ended March 31, 2016 and recorded as consulting expense.

For the three and nine months ended March 31, 2016, the Company's Board of Directors authorized the issuance of 7,716 and 23,147 fully vested shares of its Series A Convertible Preferred stock for employee compensation. The Company recorded an expense of \$32,735 and \$83,930 for the three months and nine months ended March 31, 2016, respectively.

For the three and nine months ended March 31, 2016 the Company's Board of Directors authorized the issuance of 1,295 fully vested shares of its common stock for employee compensation. The Company recorded an expense of \$3,300.

For the three months and nine months ended March 31, 2016, the Company's Board of Directors authorized the issuance of 6,385 and 23,704 respectively, fully vested shares of its common stock with a restrictive legend for Director Services. The Company recorded an expense of \$ 11,250 and \$33,750.

For the three months and nine months ended March 31, 2016, the Company's Board of Directors authorized the issuance of 37,053 and 80,197 respectively, fully vested shares of its common stock with a restrictive legend for consulting services. The Company recorded an expense of \$52,000 and \$106,000 for the three months and nine months respectively.

On December 31, 2015 two Holders of the Company's Series B Debentures elected to receive the \$80,000 quarterly interest payable in restricted common stock of the Company. For the three months ended December 31, 2015 the Company's Board of Directors authorized the issuance of 66,666 shares of the Company's restricted common stock for interest payable to the Holders. The Holders are entities controlled by Dr. Milton Boniuk, a director of the Company.

On December 31, 2015 the Holder of the Company's Series C Debentures elected to receive the \$166,667 quarterly interest payable in restricted common stock of the Company. For the three months ended December 31, 2015 the Company's Board of Directors authorized the issuance of 138,889 shares of the Company's restricted common stock for interest payable to the Holder. The Holder is an entity controlled by Dr. Milton Boniuk, a director of the Company.

On January 23, 2016, the Company's Board of Directors and a majority of the holders of the Company's Series A Convertible Preferred Shares (the "Series A Shares") approved an amendment to the Certificate of Designation of the Series A Shares to increase the number of authorized Series A Shares from 4,000,000 to 8,500,000.

On February 1, 2016, 571,433 warrants were issued for interest in accordance with the terms of the Series B debenture. The warrants are exercisable at \$3.50 per warrant and will be valid for 3 years after issuance. The Company recorded an expense of \$56,115 for the fair value of the warrants. The Company estimated the fair value of the warrants issued to the Holders of the Company's Series B Debentures on the date of issuance using the Black-Scholes Option-Pricing Model.

On March 31, 2016 two Holders of the Company's Series B Debentures elected to receive the \$80,000 quarterly interest payable in restricted common stock of the Company. For the three months ended March 31, 2016 the Company's Board of Directors authorized the issuance of 34,892 shares of the Company's restricted common stock for interest payable to the Holders. The Holders are entities controlled by Dr. Milton Boniuk, a director of the Company.

On March 31, 2016 the Holder of the Company's Series C Debentures elected to receive the \$166,667 quarterly interest payable in restricted common stock of the Company. For the three months ended March 31, 2016 the Company's Board of Directors authorized the issuance of 72,331 shares of the Company's restricted common stock for interest payable to the Holder. The Holder is an entity controlled by Dr. Milton Boniuk, a director of the Company.

The Company estimated the fair value of the warrants granted to the Scientific Advisory Board on the date of grant using the Black-Scholes Option-Pricing Model with the following weighted-average assumptions:

Expected life (year)	4
Expected volatility	58.12 %
Expected annual rate of quarterly dividends	0.00 %
Risk-free rate(s)	1.07 %

The Company estimated the fair value of the warrants granted for the Series B debentures on the date of grant using the Black-Scholes Option-Pricing Model with the following weighted-average assumptions:

Expected life (year)	3
Expected volatility	44.18 %
Expected annual rate of quarterly dividends	0.00 %
Risk-free rate(s)	1.01 %

**Note 9 - Stock Options and Warrants**

The following table presents the activity of stock options issued for the nine months ended March 31, 2016 as follows:

	Number of Shares	Weighted Average Exercise Price per share (\$)	Weighted Average Remaining Contractual Term (years)	Aggregate Intrinsic Value (\$)
Stock Options				
Outstanding and exercisable at June 30, 2015	535,715	\$ 0.35	0.23	\$2,094,643
Granted	-	-	-	-
Exercised	428,573	-	-	-
Expired	107,142	-	-	-
Canceled	-	-	-	-
Outstanding at March 31, 2016	-	\$ -	-	\$-

As of March 31, 2016 there was no unrecognized compensation cost.

Stock Warrants

	Number of Shares	Weighted Average Exercise Price per share (\$)	Weighted Average Remaining Contractual Term (years)	Aggregate Intrinsic Value (\$)
Stock Warrants				
Outstanding and exercisable at June 30, 2015	5,976,675	\$ 5.14	3.20	\$ 19,000
Granted	622,877	3.35	2.91	-
Exercised	-	-	-	-
Expired	-	-	-	-
Canceled	-	-	-	-
Outstanding and exercisable at March 31, 2016	6,599,552	\$ 4.97	2.49	\$ 71,813

Of the above warrants, 345,713 expire in fiscal year ending June 30, 2016; 68,571 expire in fiscal year ending June 30, 2017; 68,577 in fiscal year ending June 30, 2018; 6,065,247 in fiscal year ending June 30, 2019 and 51,444 expire

in fiscal year ending June 30, 2020.

## **Note 10 – Fair Value Measurement**

### **Fair value measurements**

At March 31, 2016 and June 30, 2015, the fair value of derivative liabilities is estimated using a lattice model that is based on the individual characteristics of our warrants, preferred and common stock, the derivative liability on the valuation date as well as assumptions for volatility, remaining expected life, risk-free interest rate and, in some cases, credit spread. The derivative liabilities are the only Level 3 fair value measures.

At March 31, 2016 and June 30, 2015 the estimated fair values of the liabilities measured on a recurring basis are as follows:

Fair Value Measurements at  
March 31, 2016:  
(Level 1) (Level 2) (Level 3)

Derivative liability – Series B debentures	\$ -	-	\$ 650,392
Derivative liability – Series C debentures	-	-	582,966
Derivative liability – warrants	-	-	3,968,388
Total derivatives	\$ -	\$ -	\$ 5,201,746

Fair Value Measurements at  
June 30, 2015:  
(Level 1) (Level 2) (Level 3)

Derivative liability – Series B debentures	\$ -	-	\$ 366,764
Derivative liability – Series C debentures	-	-	476,289
Derivative liability – warrants	-	-	3,442,754
Total derivatives	\$ -	\$ -	\$ 4,285,807

In conjunction with the Company's registered direct offerings of Units, consisting of the Company's common stock and warrants, on September 12, 2013 and January 24, 2014 the Company issued 2,945,428, and 2,479,935 warrants respectively, and, of which, 2,810,071 and 2,479,935 respectively are outstanding at March 31, 2016. Additionally, the Company issued 58,910 and 76,306 warrants, respectively, to the placement agents which are also outstanding at March, 31, 2016, for a total number of 5,425,222 warrants outstanding pursuant to the aforesaid registered direct offerings.

The Company accounts for stock purchase warrants as either equity instruments or derivative liabilities depending on the specific terms of the warrant agreements. Under applicable accounting guidance, stock warrants must be accounted for as derivative financial instruments if the warrants contain full-ratchet anti-dilution provisions, which preclude the warrants from being considered indexed to its own stock. The warrants described above contained a full-ratchet anti-dilution feature and are thus classified as a derivative liability.

The Company used a lattice model to calculate the fair value of the derivative warrants based on a probability weighted discounted cash flow model. This model is based on future projections of the various potential outcomes. The features that were analyzed and incorporated into the model included the exercise and full reset features.



The Warrants were valued as of March 31, 2016 and June 30, 2015 with the following assumptions:

- The 5 year warrants issued on 9/12/13 and 1/24/14 included Investor and Placement Agent Warrants with an exercise price of \$5.25 and \$6.05 (subject to adjustments-full ratchet reset).

- The stock price would fluctuate with the Company projected volatility.

- The Holder would exercise the warrant as they become exercisable (effective registration at issuance) at target prices of the higher of **2 times** the projected exercise/reset price or **2 times** the stock price.

- The next capital raise would fluctuate with an annual volatility. The projected volatility curve was based on historical volatilities of the Company for the valuation periods. The projected annual volatility for the valuation dates are:

1 Year  
6/30/15 62%  
3/31/16 76%

The primary factors driving the economic value of options are stock price; stock volatility; reset events and exercise behavior. Projections of these variables over the remaining term of the warrant are either derived or based on industry averages. Based on the above, a probability was assigned to each scenario for each future period, and the appropriate derivative value was determined for each scenario. The option value was then probability weighted and discounted to the present.

The following tables present the activity for liabilities measured at estimated fair value using unobservable inputs for the nine months ended March 31, 2016:

	Fair Value Measurement Using Significant Unobservable Inputs		
	Derivative liability – Series B	Derivative liability – Series C	Derivative liability – warrant
Beginning balance at July 1, 2015	\$ 366,764	\$ 476,289	\$ 3,442,754
Additions during the year	-	-	-
Change in fair value	283,628	106,677	525,634
Transfer in and/or out of Level 3	-	-	-
Balance at March 31, 2016	\$ 650,392	\$ 582,966	\$ 3,968,388

## Note 11 - Commitments and Contingencies

### Operating Lease

The Company completed the relocation of its laboratory and office from 135 Wood Street, West Haven, Connecticut to 1 Controls Drive, Shelton, Connecticut around June, 2015. The Company was renting 135 Wood Street on a month-to-month basis.

Total rent expense at 135 Wood Street, West Haven, Connecticut amounted to \$0 and \$26,085 for the three months ended March 31, 2016 and 2015, respectively and \$0 and \$78,255 for the nine months ended March 31, 2016 and 2015, respectively.

#### License Agreements

The Company is dependent upon its license agreement with TheraCour Pharma, Inc. (See Note 4). If the Company lost the right to utilize any of the proprietary information that is the subject of the TheraCour Pharma license agreement on which it depends, the Company will incur substantial delays and costs in development of its drug candidates.

#### Legal Proceedings

There are no pending legal proceedings against the Company to the best of the Company's knowledge as of the date hereof and to the Company's knowledge, no action, suit or proceeding has been threatened against the Company.

## **PART I**

The following discussion should be read in conjunction with the information contained in the financial statements of the Company and the notes thereto appearing elsewhere herein and in conjunction with the Management's Discussion and Analysis of Financial Condition and Results of Operations set forth in the Company's Annual Report on Form 10-K for the year ended June 30, 2015. Readers should carefully review the risk factors disclosed in this Form 10-K and other documents filed by the Company with the SEC.

As used in this report, the terms "Company", "we", "our", "us" and "NNVC" refer to NanoViricides, Inc., a Nevada corporation.

### **SPECIAL NOTE ON FORWARD-LOOKING STATEMENTS**

This Report contains forward-looking statements within the meaning of the federal securities laws. All statements other than statements of historical fact made in this report are forward looking. In particular, the statements herein regarding industry prospects and future results of operations or financial position are forward-looking statements. These include statements about our expectations, beliefs, intentions or strategies for the future, which we indicate by words or phrases such as "anticipate," "expect," "intend," "plan," "will," "we believe," "Company believes," "management believes" and similar language. These forward-looking statements can be identified by the use of words such as "believes," "estimates," "could," "possibly," "probably," "anticipates," "projects," "expects," "may," "will," or "should," or other variations of these words. No assurances can be given that the future results anticipated by the forward-looking statements will be achieved. Forward-looking statements reflect management's current expectations and are inherently uncertain. The forward-looking statements are based on the current expectations of NanoViricides, Inc. and are inherently subject to certain risks, uncertainties and assumptions, including those set forth in the discussion under "Management's Discussion and Analysis of Financial Condition and Results of Operations" in this report. Actual results may differ materially from results anticipated in these forward-looking statements.

Investors are also advised to refer to the information in our previous filings with the Securities and Exchange Commission (SEC), especially on Forms 10-K, 10-Q and 8-K, in which we discuss in more detail various important factors that could cause actual results to differ from expected or historic results. It is not possible to foresee or identify all such factors. As such, investors should not consider any list of such factors to be an exhaustive statement of all risks and uncertainties or potentially inaccurate assumptions.

Although these forward-looking statements reflect the good faith judgment of our management, such statements can only be based upon facts and factors currently known to us. Forward-looking statements are inherently subject to risks and uncertainties, many of which are beyond our control. As such, our actual results could differ materially from those

anticipated in these forward-looking statements as a result of various factors, including those set forth below under the caption “Risk Factors.” For these statements, we claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995. You should not unduly rely on these forward-looking statements, which speak only as of the date on which they were made. They give our expectations regarding the future but are not guarantees. We undertake no obligation to update publicly or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless required by law.

10-K and, as applicable, the Corporation’s proxy or information statement.

Robert J. Appel, Chairman

Paul A. Gould

William K. Lieberman

Carl H. Pforzheimer, III

#### **COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION**

In 2013, the Compensation Committee was comprised of Robert J. Appel (Chairman), Paul A. Gould, William K. Lieberman and Carl H. Pforzheimer, III. None of those individuals has ever been an officer or employee of the Corporation.

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**CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS**

The Corporation's policies and procedures for reviewing, approving and ratifying transactions with related persons are set forth in the Corporation's Corporate Governance Guidelines, which are available on the Corporation's website at [www.amcopittsburgh.com](http://www.amcopittsburgh.com). Under these policies and procedures, the Corporation's management is responsible for determining whether a particular transaction should be referred to the Nominating and Governance Committee for consideration. The Nominating and Governance Committee then determines whether to approve, ratify, revise the terms of, reject the transaction or refer the transaction to the full Board or another appropriate committee of the Board for approval or ratification. The policy and procedures apply to transactions involving an amount in excess of \$120,000 in which a related person has a direct or indirect material interest. The policy and procedures generally do not apply to employment matters (except employment of an executive officer who is an immediate family member of another executive officer), director compensation, commercial transactions in the ordinary course of business under ordinary business terms, charitable contributions, transactions such as payment of dividends where all shareholders receive the same proportional benefits and transactions involving competitive bids.

In 2013, the Corporation bought industrial supplies from a subsidiary of The Louis Berkman Company in transactions in the ordinary course of business amounting to approximately \$1,489,037. Additionally, The Louis Berkman Company paid the Corporation \$150,000 for certain administrative services. Robert A. Paul is an officer and director of that company. These transactions and services were at prices generally available from outside sources. Transactions between the parties will also take place in 2014.

The purchase of industrial supplies from a wholly-owned subsidiary of The Louis Berkman Investment Company follows a competitive bid process which includes several non-related vendors after which annual contract awards are made to the lowest bidder by the purchasing executive at each of the Corporation's subsidiary companies. The administration services are provided under an agreement to provide such services for fees which are subject to annual review including an increase to cover inflation in the costs of the Corporation.

Following his retirement as President in April 2009, the Corporation entered into a Consulting Agreement with Ernest G. Siddons for a term of three years from the date of his retirement and renewed the term of that Agreement in 2013 for an additional year. The current agreement primarily provides for compensation of \$120,000 per year and the same medical benefits provided to him prior to his retirement.

**REPORT OF THE AUDIT COMMITTEE**

The Audit Committee has reviewed and discussed the audited financial statements with management and has discussed with the independent accountants the matters required to be discussed by the Statement on Auditing Standards, No. 61, as amended (AICPA, Professional Standards, Vol. 1. AU Section 380) as adopted by the Public Company Accounting Oversight Board (PCAOB) in Rule 3200T.

The Audit Committee has received the written disclosures and the letter from the independent accountants required by applicable requirements of the PCAOB regarding the independent accountant's communications with the audit committee concerning independence and has discussed with the independent accountants their independence.

Based on the review and discussions referred to in the preceding paragraphs, the Audit Committee recommended to the Board of Directors that the audited financial statements be included in the Corporation's Annual Report on Form 10-K for the last fiscal year for filing with the SEC.



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The following table summarizes the aggregate fees billed to the Corporation by Deloitte & Touche LLP:

	2013	2012
Audit fees (a)	\$ 825,640	\$ 733,270
Audit-related fees (b)	26,050	31,010
Tax fees (c)		1,000
All other fees		
Total (d)	\$ 851,690	\$ 765,280

- (a) Fees for audit services related primarily to the audit of the Corporation's annual consolidated financial statements and its internal control over financial reporting.
- (b) Fees for audit-related services related primarily to the audits of the Corporation's employee benefit plans.
- (c) Fees for services provided in connection with tax planning and advice.
- (d) The Audit Committee approved all fees in the years reported.

In considering the nature of the services provided by Deloitte & Touche LLP, the Audit Committee determined that such services are compatible with the provision of independent audit services. The Audit Committee discussed these services with Deloitte & Touche LLP and the Corporation's management to determine that they are permitted under the rules and regulations concerning auditor independence promulgated by the SEC. All services provided by Deloitte & Touche LLP and reflected in the table above were approved by the Audit Committee in accordance with the policy described below.

The Audit Committee has adopted a Policy for Approval of Audit and Non-Audit Services (the "Policy") provided by the Corporation's independent auditor. According to the Policy, the Corporation's independent auditor may not provide the following services to the Corporation:

maintain or prepare the Corporation's accounting records or prepare the Corporation's financial statements that are either filed with the SEC or form the basis of financial statements filed with the SEC;

provide appraisal or valuation services when it is reasonably likely that the results of any valuation or appraisal would be material to the Corporation's financial statements or where the independent auditor would audit the results;

provide certain management or human resource functions;

serve as a broker-dealer, promoter or underwriter of the Corporation's securities;

provide any service in which the person providing the service must be admitted to practice before the courts of a U.S. jurisdiction;



provide any internal audit services relating to accounting controls, financial systems, or financial statements; or

design or implement a hardware or software system that aggregates source data underlying the financial statements or generates information that is significant to the Corporation's financial statements, taken as a whole.

In addition, in connection with its adoption of the Policy, the Audit Committee pre-approved certain audit-related and other non-prohibited services. Any services not prohibited or pre-approved by the Policy must be pre-approved by the Audit Committee in accordance with the Policy. The Policy is reviewed and approved annually by the Board of Directors.

Carl H. Pforzheimer, III (Chairman)

Robert J. Appel

Leonard M. Carroll

Paul A. Gould

William K. Lieberman

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**RATIFICATION OF THE APPOINTMENT OF DELOITTE & TOUCHE LLP AS THE  
INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR 2014  
(PROPOSAL 3)**

The Audit Committee, comprised of independent members of the Board of Directors, has appointed Deloitte & Touche LLP ( D&T ) as the Corporation's independent registered public accounting firm for 2014. Shareholder ratification of the selection of D&T as the Corporation's independent registered public accounting firm is not required by the Corporation's Articles of Incorporation as amended, or Amended and Restated By-laws. The Corporation is submitting the selection of D&T to the shareholders for ratification because the Board of Directors considers it to be the best practice in corporate governance to do so. Even if the shareholders ratify the Audit Committee's appointment of independent accountants, the Audit Committee in its discretion may change the appointment at any time if it determines that such change would be in the best interests of the Corporation and its shareholders. If the shareholders do not ratify the appointment of D&T, the selection of the independent registered public accounting firm will be reconsidered by the Audit Committee, but D&T may still be retained.

Representatives of D&T are expected to be in attendance at the Annual Meeting, will have the opportunity to make a statement if they wish to do so and will respond to appropriate questions.

**THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE FOR THE PROPOSAL TO RATIFY THE APPOINTMENT OF D&T AS THE INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR 2014.**

**SHAREHOLDER PROPOSALS FOR 2015**

Any shareholder who wishes to place a proposal before the 2015 Annual Meeting of Shareholders must submit the proposal to the Corporation's Secretary, at its executive offices, not later than November 18, 2014 to have it considered for inclusion in the proxy statement for the Annual Meeting in 2015.

If a shareholder otherwise wishes to propose proper business from the floor for consideration at the 2015 Annual Meeting, the Corporation's Amended and Restated Bylaws provide that (i) the shareholder must notify the Corporation's Secretary in writing, (ii) the shareholder's notice must be received at the Corporation's executive offices not earlier than December 29, 2014 and not later than January 28, 2015 and (iii) the shareholder's notice must contain the specific information set forth in the Corporation's Bylaws. These requirements apply only to matters to be brought before the 2015 Annual Meeting which have not been submitted for possible inclusion in the Corporation's 2015 proxy materials.

**OTHER MATTERS**

The Board of Directors does not know of any other business that will be presented for action at the Annual Meeting. Should any other matter come before the meeting, however, action may be taken thereon pursuant to proxies in the form enclosed unless discretionary authority is withheld.



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***AMPCO-PITTSBURGH CORPORATION***

***600 GRANT STREET***

***SUITE 4600***

***PITTSBURGH, PA 15219***

**WE ENCOURAGE YOU TO TAKE ADVANTAGE OF INTERNET OR TELEPHONE VOTING; BOTH ARE AVAILABLE 24 HOURS A DAY, 7 DAYS A WEEK.**

**IF YOU CHOOSE TO CUMULATE VOTES FOR DIRECTORS YOU MUST VOTE BY MAIL.**

**VOTE BY INTERNET - [www.proxyvote.com](http://www.proxyvote.com)**

Use the Internet to transmit your voting instructions and for electronic delivery of information up until 11:59 P.M. Eastern Time the day before the cut-off date or meeting date. Have your proxy card in hand when you access the web site and follow the instructions to obtain your records and to create an electronic voting instruction form.

**ELECTRONIC DELIVERY OF FUTURE PROXY MATERIALS**

If you would like to reduce the costs incurred by our company in mailing proxy materials, you can consent to receiving all future proxy statements, proxy cards and annual reports electronically via e-mail or the Internet. To sign up for electronic delivery, please follow the instructions above to vote using the Internet and, when prompted, indicate that you agree to receive or access proxy materials electronically in future years.

**VOTE BY PHONE - 1-800-690-6903**

Use any touch-tone telephone to transmit your voting instructions up until 11:59 P.M. Eastern Time the day before the cut-off date or meeting date. Have your proxy card in hand when you call and then follow the instructions.

**VOTE BY MAIL**

Mark, sign and date your proxy card and return it in the postage-paid envelope we have provided or return it to Vote Processing, c/o Broadridge, 51 Mercedes Way, Edgewood, NY 11717.

If you vote your proxy by Internet or by telephone,

you do NOT need to mail back your proxy card.

TO VOTE, MARK BLOCKS BELOW IN BLUE OR BLACK INK AS FOLLOWS:

M67780-P49786

KEEP THIS PORTION FOR YOUR RECORDS

**THIS PROXY CARD IS VALID ONLY WHEN SIGNED AND DATED.**

**DETACH AND RETURN THIS PORTION ONLY**

# Edgar Filing: NANOVIRICIDES, INC. - Form 10-Q

## AMPCO-PITTSBURGH CORPORATION

To withhold authority to vote for any individual nominee(s), mark **For All Except** and write the number(s) of the nominee(s) on the line below.

	<b>For All</b>	<b>Withhold All</b>	<b>For All Except</b>
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### Vote on Directors

1. Election of Directors	..	..	..
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### Nominees:

- 01) James J. Abel
- 02) William K. Lieberman
- 03) Stephen E. Paul
- 04) Carl H. Pforzheimer III
- 05) Michael I. German

### Vote on Proposals

	<b>For</b>	<b>Against</b>	<b>Abstain</b>
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2. To approve, in a non-binding vote, the compensation of the named executive officers.	..	..	..
3. To ratify the appointment of Deloitte & Touche LLP as the independent registered public accounting firm for 2014.	..	..	..

**NOTE:** Such other business as may properly come before the meeting or any adjournment thereof.

**THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR All OF THE NOMINEES LISTED IN ITEM 1; A VOTE FOR ITEM 2 AND A VOTE FOR ITEM 3.**

All proxies heretofore given or executed with respect to the shares of stock represented by this proxy are by the filing of this proxy, expressly revoked.

To cumulate votes as to a particular nominee as explained in the Proxy Statement, check box to the right, multiply the number of shares held by you by three and vote the result for the nominees listed in any proportion, then indicate the name(s) and the number of votes to be given to such nominee(s) on the reverse side of this card. **Please do not check box unless you want to exercise cumulative voting.**

**NOTE: Signature should conform exactly to name as stenciled hereon. Executors, administrators, guardians, trustees, attorneys and officers signing for a corporation should give full title. For joint accounts each owner must sign.**

Signature [PLEASE SIGN WITHIN BOX]

Date

Signature (Joint Owners)

Date

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**Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting of**

**Shareholders to be Held on April 29, 2014:**

The Notice and Proxy Statement and the 10-K Wrap of the Corporation are available at

<http://www.Ampcopittsburgh.com/financial.html>; and

The Notice and Proxy Statement and 10-K Wrap are also available at [www.proxyvote.com](http://www.proxyvote.com).

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**AMPCO-PITTSBURGH CORPORATION**

**Annual Meeting of Shareholders April 29, 2014 10:00 AM**

The undersigned hereby appoints Rose Hoover and Robert A. Paul and each of them, as proxies with full power of substitution to vote, as specified on the reverse side, the shares of stock which the undersigned is entitled to vote at the Annual Meeting of Shareholders of AMPCO-PITTSBURGH CORPORATION, to be held at The Duquesne Club, in the Adams Room, 4th Floor, 325 Sixth Avenue, Pittsburgh, PA, on Tuesday April 29, 2014, at 10:00 a.m., and any adjournments thereof.

**WHEN PROPERLY EXECUTED, THIS PROXY WILL BE VOTED IN THE MANNER DIRECTED. IF NO DIRECTION IS MADE, THIS PROXY WILL BE VOTED: FOR THE NOMINEES LISTED IN ITEM 1 (OR, IN THE DISCRETION OF THE PROXIES, THE SHARES MAY BE VOTED CUMULATIVELY); FOR PROPOSAL 2; AND, FOR PROPOSAL 3. THE PROXIES NAMED ABOVE ARE AUTHORIZED TO VOTE IN THEIR DISCRETION ON ANY OTHER MATTERS THAT MAY PROPERLY COME BEFORE THE MEETING.**

**PLEASE SIGN ON REVERSE SIDE and mail in the enclosed, postage prepaid envelope.**

**CUMULATE** \_\_\_\_\_

\_\_\_\_\_

(If you noted cumulative voting instructions above, please check the corresponding box on the reverse side.)