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

FORM 10-Q

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

For the quarterly period ended November 30, 2008

OR

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

Commission File Number: **000-28385**

Protalex, Inc.

(Exact Name of Registrant as Specified in its Charter)

Delaware **(State or Other Jurisdiction of Incorporation or Organization)**	**91-2003490** **(I.R.S. Employer Identification Number)**

145 Union Square Drive
New Hope, PA 18938
(Address of Principal Executive Offices and Zip Code)

215-862-9720
(Registrant's Telephone Number, Including Area Code)

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 is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of large accelerated filer," "accelerated filer," and "smaller reporting company" 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 registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). ☐ Yes ☑ No

Number of shares outstanding of the issuer's Common Stock, par value $0.00001 per share, as of January 9, 2009: 28,600,464 shares.

Protalex, Inc.

FORM 10-Q

November 30, 2008

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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

PROTALEX, INC.
(A Company in the Development Stage)

BALANCE SHEETS

	November 30, 2008 (Unaudited)	May 31, 2008
CURRENT ASSETS:		
Cash and cash equivalents	$ 5,130,682	$ 8,442,809
Prepaid expenses	403,170	429,207
Total current assets	5,533,852	8,872,016
PROPERTY & EQUIPMENT:		
Lab equipment	327,287	692,761
Office and computer equipment	195,987	195,987
Furniture & fixtures	40,701	40,701
Leasehold improvements	89,967	89,967
	653,942	1,019,416
Less accumulated depreciation and amortization	(620,655)	(823,649)
	33,287	195,767
OTHER ASSETS:		
Deposits	7,990	7,990
Intellectual technology property, net of accumulated amortization of $9,243 and $8,733 as of November 30, 2008 and May 31, 2008, respectively	11,057	11,567
Total other assets	19,047	19,557
Total Assets	$ 5,586,186	$ 9,087,340
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 625,461	$ 1,277,555
Payroll and related liabilities	35,074	35,262
Accrued expenses	22,543	15,000
Deferred rent	1,559	1,458
Total liabilities	684,637	1,329,275
STOCKHOLDERS' EQUITY		
Common stock, par value $0.00001, 100,000,000 shares authorized; 28,600,464 shares issued and outstanding	286	286
Additional paid in capital	45,482,914	45,112,084
Deficit accumulated during the development stage	(40,581,651)	(37,354,305)
Total stockholders' equity	4,901,549	7,758,065
	$ 5,586,186	$ 9,087,340

The accompanying notes are an integral part of these financial statements.

PROTALEX, INC.
(A Company in the Development Stage)

STATEMENTS OF OPERATIONS

For the six and three month periods ended November 30, 2008 and 2007 and
From Inception (September 17, 1999) through November 30, 2008
(Unaudited)

	Six Months Ended November 30, 2008	Six Months Ended November 30, 2007	Three Months Ended November 30, 2008	Three Months Ended November 30, 2007	From Inception Through November 30, 2008
Revenues	$ -	$ -	$ -	$ -	$ -
Operating Expenses					
Research and development	(1,864,338)	(3,761,633)	(842,840)	(2,057,718)	(26,127,166)
Administrative	(1,231,341)	(1,456,471)	(599,510)	(775,371)	(13,340,719)
Professional fees	(263,293)	(362,104)	(93,706)	(159,429)	(3,142,757)
Depreciation and amortization	(2,108)	(2,108)	(1,023)	(1,023)	(161,778)
Operating loss	(3,361,080)	(5,582,316)	(1,537,079)	(2,993,541)	(42,772,420)
Other income (expense)					
Interest income	55,560	396,038	16,509	178,943	2,193,787
Interest expense	-	-	-	-	(70,612)
Gain on disposal of equipment	78,174	-	-	-	67,594
Net loss	$ (3,227,346)	$ (5,186,278)	$ (1,520,570)	$ (2,814,598)	$ (40,581,651)
Weighted average number of common shares outstanding	28,600,464	28,600,464	28,600,464	28,600,464	17,840,265
Loss per common share – basic and diluted	$ (.11)	$ (.18)	$ (.05)	$ (.10)	$ (2.27)

The accompanying notes are an integral part of these financial statements.

PROTALEX, INC.
(A Company in the Development Stage)

STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

From Inception (September 17, 1999) through November 30, 2008
(Unaudited)

	Common Stock Shares	Common Stock Amount	Additional Paid in Capital	Common Stock-Contra	Deficit Accumulated During The Development Stage	Total
September 17, 1999 — initial issuance of 10,000 shares for intellectual technology license at $.03 per share	10,000	$ 300	$ —	$ —	$ —	$ 300
September 30, 1999 — cost of public shell acquisition over net assets acquired to be accounted for as a Recapitalization	—	—	—	(250,000)	—	(250,000)
October 27, 1999 — issuance of 84 shares to individual for $25,000	84	25,000	—	—	—	25,000
November 15, 1999 — reverse merger transaction with Enerdyne Corporation, net transaction amounts	8,972,463	118,547	—	(118,547)	—	—
November 18, 1999 — February 7, 2000 — issuance of 459,444 shares to various investors at $0.36 per share	459,444	165,400	—	—	—	165,400
January 1, 2000 — issuance of 100,000 shares in exchange for legal services	100,000	15,000	—	—	—	15,000
May 1 - 27, 2000 — issuance of 640,000 shares to various investors at $1.00 per share	640,000	640,000	—	—	—	640,000
May 27, 2000 — issuance of 1,644 shares to an individual in exchange for interest Due	1,644	1,644	—	—	—	1,644
Net loss for the year ended May 31, 2000	—	—	—	—	(250,689)	(250,689)
Balance, May 31, 2000	10,183,635	965,891	—	(368,547)	(250,689)	346,655
December 7, 2000 — issuance of 425,000 shares to various investors at $1.00 per share	425,000	425,000	—	—	—	425,000
May 31, 2001 — Forgiveness of debt owed to shareholder	—	—	40,000	—	—	40,000
Net loss for the year ended May 31, 2001	—	—	—	—	(553,866)	(553,866)
Balance, May 31, 2001	10,608,635	1,390,891	40,000	(368,547)	(804,555)	257,789

The accompanying notes are an integral part of this financial statement.

PROTALEX, INC.
(A Company in the Development Stage)

STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY - (continued)

From Inception (September 17, 1999) through November 30, 2008
(Unaudited)

	Common Stock		Additional Paid in Capital	Common Stock-Contra	Deficit Accumulated During The Development Stage	Total
	Shares	Amount				
August 13, 2001 — Contribution by Shareholders	—	—	143,569	—	—	$ 143,569
November 7, 2001 — issuance of 881,600 Shares at $1.25 per share	881,600	$ 1,102,000	$ —	—	$ —	$ 1,102,000
November 26, 2001 — options issued to board member	—	—	133,000	—	—	133,000
Net loss for the year ended May 31, 2002	—	—	—	—	(1,280,465)	(1,280,465)
Balance, May 31, 2002	11,490,235	2,492,891	316,569	(368,547)	(2,085,020)	355,893
July 5, 2002 — issuance of 842,000 shares at $1.50 per share	842,000	1,263,000	—	—	—	1,263,000
July 1, 2002 - May 1, 2003 – purchase of common stock from shareholder at $.70 per share	(130,955)	(91,667)	—	—	—	(91,667)
January 15, 2003 - May 15, 2003 — common stock issued to Company president	41,670	82,841	—	—	—	82,841
May 14, 2003 — common stock issued to employee	5,000	11,250	—	—	—	11,250
June 1, 2002 - May 31, 2003 – compensation related to stock options issued to board members, employees and consultants	—	—	287,343	—	—	287,343
Net loss for the year ended May 31, 2003	—	—	—	—	(1,665,090)	(1,665,090)
Balance, May 31, 2003	12,247,950	3,758,315	603,912	(368,547)	(3,750,110)	243,570
June 15, 2003, common stock issued to Company president	8,334	16,418	—	—	—	16,418
June 15, 2003, purchase of common stock from shareholder	(12,093)	(8,333)	—	—	—	(8,333)
September 18, 2003 – issuance of 7,445,646 of common stock issued in private placement At $1.70 per share, net of transaction costs	7,445,646	11,356,063	—	—	—	11,356,063
September 19, 2003 – repurchase and retired 2,994,803 shares for $300,000	(2,994,803)	(300,000)	—	—	—	(300,000)
December 12, 2003 – issuance of 39,399 shares to terminated employees at $2.60 per share	39,399	102,438	—	—	—	102,438
March 1, 2004 – common stock issued to employee at $2.55 per share	50,000	127,500	—	—	—	127,500
May 31, 2004 – reclassify common stock contra to common stock	—	(368,547)	—	368,547	—	—

The accompanying notes are an integral part of this financial statement.

PROTALEX, INC.
(A Company in the Development Stage)

STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY - (continued)

From Inception (September 17, 1999) through November 30, 2008
(Unaudited)

	Common Stock		Additional Paid in Capital	Common Stock-Contra	Deficit Accumulated During The Development Stage	Total
	Shares	Amount				
June 1, 2003 – May 31, 2004 – compensation related to stock options issued to board members, employees and consultants	—	—	448,096	—	—	448,096
Net loss for the year ended May 31, 2004	—	—	—	—	(2,989,364)	(2,989,364)
Balance, May 31, 2004	16,784,433	14,683,854	1,052,008	—	(6,739,474)	8,996,388
November 30, 2004 – adjust March 1, 2004 common stock issued to employee	—	(20,000)		—	—	(20,000)
January 13, 2005 – common stock issued to employee at $2.55 per share	15,000	38,250	—	—	—	38,250
February 28, 2005 – Reclass Par Value for Reincorporation into DE as of 12/1/04	—	(14,701,935)	14,701,935	—	—	0
May 25, 2005 - issuance of 2,593,788 shares of common stock issued in private placement At $1.95 per share, net of transaction costs	2,593,788	25	4,851,168	—	—	4,851,193
June 1, 2004 – May 31, 2005 – compensation related to stock options issued to board members, employees and consultants	—	—	308,711	—	—	308,711
Net loss for the year ended May 31, 2005	—	—	—	—	(5,567,729)	(5,567,729)
Balance, May 31, 2005	19,393,221	194	20,913,822	—	(12,307,203)	8,606,813
August 23, 2005 – common stock issued to employee	40,000	0	100,000	—	—	100,000
October 19, 2005 – common stock issued to employee	10,000	0	25,000	—	—	25,000
December 30, 2005 – issuance of 2,595,132 shares of common stock issued in private placement at $2.25 per share, net of transaction costs	2,595,132	26	5,510,941	—	—	5,510,967
June 1, 2005 – May 31, 2006 – warrants exercised	351,598	4	786,534	—	—	786,538
June 1, 2005– May 31, 2006 – compensation related to stock options issued to board members, employees and consultants	—	—	404,679	—	—	404,679
Net loss for the year ended May 31, 2006	—	—	—	—	(6,104,402)	(6,104,402)
Balance, May 31, 2006	22,389,951	224	27,740,976	—	(18,411,605)	9,329,595

The accompanying notes are an integral part of this financial statement.

PROTALEX, INC.
(A Company in the Development Stage)

STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY - (continued)

From Inception (September 17, 1999) through November 30, 2008
(Unaudited)

	Common Stock Shares	Common Stock Amount	Additional Paid in Capital	Common Stock-Contra	Deficit Accumulated During The Development Stage	Total
July 7, 2006 – issuance of 6,071,013 shares of common stock issued in private placement at $2.50 per share, net of transaction costs	6,071,013	61	14,217,660	—	—	14,217,721
June 1, 2006 – May 31, 2007 – warrants exercised	133,500	1	300,373	—	—	300,374
June 1, 2006 – May 31, 2007 – stock options exercised	6,000	0	15,200	—	—	15,200
June 1, 2006 – May 31, 2007 – share based compensation to board members, employees and consultants	—	—	1,826,850	—	—	1,826,850
Net loss for the year ended May 31, 2007	—	—	—	—	(8,451,942)	(8,451,942)
Balance, May 31, 2007	28,600,464	286	44,101,059	—	(26,863,547)	17,237,798
June 1, 2007 – May 31, 2008 – share based compensation to board members, employees and consultants	—	—	1,011,025	—	—	1,011,025
Net loss for the year ended May 31, 2008	—	—	—	—	(10,490,758)	(10,490,758)
Balance, May 31, 2008	28,600,464	286	45,112,084	—	(37,354,305)	7,758,065
June 1, 2008 – November 30, 2008 – share based compensation to board members, employees and consultants	—	—	370,830	—	—	370,830
Net loss for the six months ended November 30, 2008	—	—	—	—	(3,227,346)	(3,227,346)
Balance, November 30, 2008	28,600,464	$ 286	$ 45,482,914	$ —	$ (40,581,651)	$ 4,901,549

The accompanying notes are an integral part of this financial statement.

PROTALEX, INC.
(A Company in the Development Stage)

STATEMENTS OF CASH FLOWS

For the six month periods ended November 30, 2008 and 2007 and
From Inception (September 17, 1999) through November 30, 2008
(Unaudited)

	Six Months Ended November 30, 2008	Six Months Ended November 30, 2007	From Inception Through November 30, 2008
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net loss	$ (3,227,346)	$ (5,186,278)	$ (40,581,651)
Adjustments to reconcile net loss to net cash and cash equivalents used in operating activities			
(Gain) on disposal of equipment, net	(78,174)	—	(67,594)
Depreciation and amortization	41,164	96,726	896,067
Share based compensation expense	370,830	678,131	5,274,230
Non cash expenses	—	—	16,644
(Increase)/decrease in:			
Prepaid expenses and deposits	26,037	155,947	(411,160)
Increase/(decrease) in:			
Accounts payable and accrued expenses	(644,551)	314,601	648,004
Payroll and related liabilities	(188)	(8,432)	35,074
Other liabilities	101	(607)	1,559
Net cash and cash equivalents used in operating activities	(3,512,127)	(3,949,912)	(34,188,827)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Acquisition of intellectual technology license – fee portion	—	—	(20,000)
Acquisition of equipment	—	—	(905,936)
Excess of amounts paid for public shell over assets acquired to be accounted for as a recapitalization	—	—	(250,000)
Proceeds from disposal of equipment	200,000	—	206,000
Net cash and cash equivalents provided by (used in) investing activities	200,000	—	(969,936)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from stock issuance, including options and warrants exercised	—	—	40,658,458
Principal payment on equipment notes payable and capital leases	—	—	(295,411)
Contribution by shareholders	—	—	183,569
Principal payment on note payable to individuals	—	—	(225,717)
Issuance of note payable to individuals	—	—	368,546
Acquisition of common stock	—	—	(400,000)
Net cash and cash equivalents provided by financing activities	—	—	40,289,445
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(3,312,127)	(3,949,912)	5,130,682
Cash and cash equivalents, beginning	8,442,809	17,546,154	—
Cash and cash equivalents, ending	$ 5,130,682	$ 13,596,242	$ 5,130,682
SUPPLEMENTAL SCHEDULE OF CASH FLOW INFORMATION:			
Interest paid	$ —	$ —	$ 66,770
Taxes paid	$ —	$ —	$ 100

The accompanying notes are an integral part of these financial statements.

NOTES TO UNAUDITED FINANCIAL STATEMENTS

From Inception (September 17, 1999) through November 30, 2008

NOTE 1. NOTES TO INTERIM FINANCIAL STATEMENTS

The interim financial data is unaudited; however in the opinion of management, the interim data includes all adjustments, consisting of normal recurring adjustments, necessary for a fair statement of the results for the interim period. The financial statements included herein have been prepared by Protalex, Inc. (the “Company”) pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been omitted pursuant to such rules and regulations, although the Company believes that the disclosures included herein are adequate to make the information presented not misleading. The results of operations in interim periods are not necessarily indicative of the results that may be expected for the full year.

Information regarding the organization and business of the Company, accounting policies followed by the Company and other important information is contained in the notes to the Company's financial statements filed as part of the Company's Annual Report on Form 10-K for the fiscal year ended May 31, 2008. This quarterly report should be read in conjunction with such annual report.

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, which contemplate continuation of the Company as a going concern. Additional financing or potential sublicensing of PRTX-100 will be required during the first quarter of calendar 2009, if not sooner, in order to continue to fund operations. As a result, our independent registered public accounting firm, Grant Thornton LLP, indicated in their report on our 2008 financial statements that there is substantial doubt about our ability to continue as a going concern. The Company is a development stage enterprise and does not anticipate generating operating revenue for the foreseeable future. The ability of the Company to continue as a going concern is dependent upon raising sufficient funds in first quarter of calendar 2009 to continue the development of PRTX-100 through the regulatory process. There is no assurance that these plans will be realized in whole or in part. If the Company is unable to raise to sufficient funds, it may be required to terminate, significantly curtail or cease its operations. The financial statements do not include any adjustments that might result from the outcome of these uncertainties.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Company to make estimates and assumptions affecting the reported amounts of assets, liabilities, revenues and expense, and the disclosure of contingent assets and liabilities. Estimated amounts could differ from actual results.

Loss per Common Share

The Financial Accounting Standards Board (FASB) has issued Statement of Financial Accounting Standards No. 128, “Earnings Per Share” (SFAS No. 128). SFAS No. 128 provides for the calculation of “Basic” and “Diluted” earnings per share. Basic earnings per share includes no dilution and is computed by dividing net loss to common shareholders by the weighted average number of common shares outstanding for the period. All potentially dilutive securities consisting of employee stock options and warrants have been excluded from the computations since they would be antidilutive. However, these dilutive securities could potentially dilute earnings per share in the future. As of November 30, 2008 and 2007, the Company had potentially dilutive securities consisting of warrants and stock options totaling 9,925,722 comprised of 3,928,896 warrants and 5,996,826 stock options and 10,529,329 comprised of 6,601,380 warrants and 3,927,949 stock options, respectively.

Share Based Compensation

Effective June 1, 2006, the Company adopted the fair value recognition provisions of Statement of Financial Accounting Standard No. 123 (revised), Accounting for Share-Based Payment ("SFAS No. 123R") using the modified prospective method. This standard requires the Company to measure the cost of employee services received in exchange for equity share options granted based on the grant-date fair value of the options. The cost is recognized as compensation expense over the vesting period of the options. Under the modified prospective method, compensation cost included in operating expenses was $370,830 and $678,131 for the six months ended November 30, 2008 and 2007, respectively, compared to $194,265 and $363,447 for the three months ended November 30, 2008 and 2007, respectively and included both the compensation cost of stock options granted prior to but not yet vested as of June 1, 2006 and compensation cost for all options granted subsequent to May 31, 2006. In accordance with the modified prospective application transition method of SFAS No. 123R, prior period results were not restated. Incremental compensation cost for a modification of the terms or conditions of an award is measured by comparing the fair value of the modified award with the fair value of the award immediately before the modification. No tax benefit was recorded as of May 31, 2008 in connection with these compensation costs due to the uncertainty regarding ultimate realization of certain net operating loss carryforwards. The Company has also implemented the SEC interpretations in Staff Accounting Bulletin ("SAB") No. 107 "Valuation of Share-Based Payment Arrangements for Public Companies", and No. 110, Share-Based Payment, in connection with the adoption of SFAS No. 123R.

Prior to the adoption of SFAS No. 123R, the Company accounted for stock options granted to employees using the intrinsic value method under the guidance of APB No. 25, and provided pro forma disclosure as required by SFAS No. 123. Stock options issued to non-employees were accounted for as required by SFAS No. 123. Options to non-employees were accounted for using the fair value method, which recognizes the value of the option as an expense over the related service period with a corresponding increase to additional paid-in capital.

The Board of Directors adopted and the stockholders approved the 2003 Stock Option Plan in October 2003 and it was amended in October 2005. The plan was adopted to recognize the contributions made by the Company's employees, officers, consultants, and directors, to provide those individuals with additional incentive to devote themselves to the Company's future success, and to improve the Company's ability to attract, retain and motivate individuals upon whom the Company's growth and financial success depends. Under the plan, stock options may be granted as approved by the Board of Directors or the Compensation Committee. There are 4,500,000 shares reserved for grants of options under the plan, of which 3,839,571 have been issued and 4,000 were exercised. The Company has issued 2,163,255 stock options as stand alone grants, of which 2,000 were exercised prior to the adoption of the 2003 Stock Option Plan. Stock options vest pursuant to individual stock option agreements. No options granted under the plan are exercisable after the expiration of ten years (or less in the discretion of the Board of Directors or the Compensation Committee) from the date of the grant. The plan will continue in effect until terminated or amended by the Board of Directors.

SFAS No. 123R requires the use of a valuation model to calculate the fair value of each stock-based award. The Company uses the Black-Scholes model to estimate the fair value of stock options granted based on the following assumptions:

Expected Term or Life. The expected term or life of stock options granted represents the expected weighted average period of time from the date of grant to the estimated date that the stock option would be fully exercised. The weighted average expected option term was determined using the "simplified method" for plain vanilla options as allowed by SAB No. 107 and as further permitted by SAB No. 110. The "simplified method" calculates the expected term as the average of the vesting term and original contractual term of the options.

Expected Volatility. Expected volatility is a measure of the amount by which the Company's stock price is expected to fluctuate over the option's expected term. Expected volatility is based on the historical daily volatility of the price of our common shares. The Company estimated the expected volatility of the stock options at grant date.

Risk-Free Interest Rate. The risk-free interest rate is based on the implied yield on U.S. Treasury zero-coupon issues with remaining terms equivalent to the expected term of our stock-based awards.

As of November 30, 2008, there were 5,996,826 stock options outstanding. At November 30, 2008, the aggregate unrecognized compensation cost of unvested options, as determined using a Black-Scholes option valuation model was approximately $1,176,000 (net of estimated forfeitures) and will be recognized over a weighted average period of 2.33 years. During the six and three months ended November 30, 2008, the Company granted 1,685,000 and 150,000 stock options and 30,592 and 0 options were forfeited or expired, respectively.

	Six Months Ended November 30, 2008	**Six Months Ended November 30, 2007**	**From Inception Through November 30, 2008**
Dividends per year	0	0	0
Volatility percentage	96%-112%	95%	90%-131%
Risk free interest rate	3.11%-3.51%	4.13%	2.07%-5.11%
Expected life (years)	6.25-10	6.25	3-10
Weighted average fair value	$ .39	$ 2.09	$ 1.56

The following summarizes certain information regarding stock options as of and for the period ended November 30, 2008:

	Shares		Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)
Outstanding at May 31, 2008	4,342,418	$	1.91	6.2
Granted	1,685,000	$	0.49	9.7
Exercised	—		—	—
Forfeited	(15,000)	$	1.20	—
Expired	(15,592)	$	4.14	—
Outstanding at November 30, 2008	5,996,826	$	1.51	6.8
Exercisable at November 30, 2008	4,287,039	$	1.80	5.8

The outstanding and exercisable stock options as of November 30, 2008 had an intrinsic value of $0 and $0, respectively.

	Total				Exercisable			
Exercise Price Range	Number		Weighted Average Exercise Price	Weighted Average Remaining Life (years)	Number		Weighted Average Exercise Price	Weighted Average Remaining Life (years)
$0.00 – 0.45	1,535,000	$	0.45	9.6	277,922	$	0.45	9.6
$0.46 – 0.90	150,000	$	0.85	9.8	37,500	$	0.85	9.8
$0.91 – 1.35	530,000	$	1.27	7.8	352,654	$	1.28	7.8
$1.36 – 1.80	2,061,255	$	1.50	4.3	2,061,255	$	1.50	4.3
$1.81 – 2.25	213,000	$	2.13	5.8	205,685	$	2.13	5.8
$2.26 – 2.70	861,000	$	2.50	6.6	755,886	$	2.52	6.6
$2.71 – 3.15	646,571	$	2.84	7.2	596,137	$	2.84	7.2
	5,996,826	$	1.51	6.8	4,287,039	$	1.80	6.8

NOTE 3. LIQUIDITY

Since inception, the Company has incurred an accumulated deficit of $40,581,651 through November 30, 2008. As of November 30, 2008, the Company had cash and cash equivalents of $5,130,682 and net working capital of $4,849,215. The Company has incurred negative cash flow from operating activities since its inception. The Company has spent, and expects to continue to spend, substantial amounts in connection with executing its business strategy, including the continued development efforts relating to PRTX-100. As a result, as of the date of this report, we have insufficient funds to cover our future operating expenses beyond the first calendar quarter of 2009. These matters raise substantial doubt about the ability of the Company to continue as a going concern.

Management anticipates that the Company's capital resources will be adequate to fund its operations into the first calendar quarter of 2009. Additional financing or potential sublicensing of PRTX-100 will be required during the first quarter of calendar quarter of 2009, if not sooner, in order to continue to fund operations. The most likely sources of additional financing include the private sale of the Company's equity or debt securities, including bridge loans to the Company from third party lenders.

Additional capital that is required by the Company may not be available on reasonable terms, or at all. If adequate financing is not available, the Company may be required to terminate or significantly curtail or cease its operations, or enter into arrangements with collaborative partners or others that may require the Company to relinquish rights to certain of its technologies, or potential markets that the Company would not otherwise relinquish.

NOTE 4. RECENT ACCOUNTING PRONOUNCEMENTS

In May 2008, the FASB issued SFAS No. 162, *Hierarchy of Generally Accepted Accounting Principles* ("SFAS No. 162"). SFAS No. 162 identifies the sources of accounting principles and the framework for selecting the principles used in the preparation of financial statements. SFAS No. 162 is effective 60 days following the SEC's approval of the Public Company Accounting Oversight Board amendments to AU Section 411, The Meaning of Present Fairly in Conformity with Generally Accepted Accounting Principles. The implementation of this standard is not expected to have a material impact on our financial position and results of operations.

In April 2008, the FASB issued FASB Staff Position No. FAS 142-3, **"**Determination of the Useful Life of Intangible Assets" ("FSP FAS 142-3"). FSP FAS 142-3 amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under FASB Statement No. 142, "Goodwill and Other Intangible Assets". The FSP is intended to improve the consistency between the useful life of a recognized intangible asset under Statement 142 and the period of expected cash flows used to measure the fair value of the asset under SFAS 141(R) and other U.S. generally accepted accounting principles. The new standard is effective for financial statements issued for fiscal years and interim periods beginning after December 15, 2008. We are currently evaluating the impact, if any of FSP FAS 142-3 upon adoption on our financial statements.

In December 2007, the FASB issued SFAS No. 141R (revised 2007) *Business Combinations* ("SFAS 141R"). SFAS 141R states that all business combinations (whether full, partial or step acquisitions) will result in all assets and liabilities of an acquired business being recorded at their fair values. Certain forms of contingent considerations and certain acquired contingencies will be recorded at fair value at the acquisition date. SFAS 141R also states acquisition costs will generally be expensed as incurred and restructuring costs will be expensed in periods after the acquisition date. This statement is effective for financial statements issued for fiscal years beginning after December 15, 2008. Earlier adoption is prohibited. We are currently evaluating the impact, if any, of SFAS 141R upon adoption on our financial statements.

In December 2007, the FASB issued Statement No. 160, *Noncontrolling Interests in Consolidated Financial Statements—an amendment of Accounting Research Bulletin No. 51* ("SFAS 160"). SFAS 160 requires a company to clearly identify and present ownership interests in subsidiaries held by parties other than the company in the consolidated financial statements within the equity section but separate from the company's equity. It also requires the amount of consolidated net income attributable to the parent and to the noncontrolling interest be clearly identified and presented on the face of the consolidated statement of income; changes in ownership interest be accounted for similarly, as equity transactions; and when a subsidiary is deconsolidated, any retained noncontrolling equity investment in the former subsidiary and the gain or loss on the deconsolidation of the subsidiary be measured at fair value. This statement is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008. Earlier adoption is prohibited. We are currently evaluating the impact, if any, of SFAS 160 upon adoption on our financial statements.

In December 2007, the FASB ratified the Emerging Issue Task Force ("EITF") Issue 07-01, *Accounting for Collaborative Arrangements* ("EITF 07-01"*).* EITF 07-01 clarifies the accounting for contractual arrangements wherein two or more parties come together to participate in a joint operating activity which is conducted based on provisions of a contract. EITF 07-01 provides guidance on income statement classification of revenues and expenses related to such activities, and specifies disclosures that should be made with respect to such activities. EITF 07-01 is effective for fiscal years beginning after December 15, 2008. The Company has not completed its evaluation of the potential impact, if any, of the adoption of EITF 07-01 on its financial statements.

In June 2007, the FASB ratified EITF Issue 07-03: *Accounting for Nonrefundable Advance Payments for Goods or Services Received for Use in Future Research and Development Activities* ("EITF 07-03"). EITF 07-03 provides guidance for accounting for non-refundable payments paid to conduct research and development on behalf of the reporting entity. EITF 07-03 specifies that such payments should be initially capitalized, then expensed as the goods are received or the services have been performed. If the entity does not expect to the goods to be delivered or the services to be rendered, the costs should be expensed at that time. EITF 07-03 is effective for the Company beginning June 1, 2008. The adoption of EITF 07-09 did not have a material impact on our financial statements.

In September 2006, the FASB issued Statement No. 157, *Fair Value Measurements* ("SFAS No. 157"). This Statement defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles (GAAP), and expands disclosures about fair value measurements. This Statement applies under other accounting pronouncements that require or permit fair value measurements, the FASB having previously concluded in those accounting pronouncements that fair value is the relevant measurement attribute. Accordingly, this Statement does not require any new fair value measurements. However, for some entities, the application of this Statement will change current practice. This Statement is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. On February 12, 2008, the FASB issued FASB Staff Position No. 157-2 *Effective Date of FASB Statement No. 157*, which delayed the effective date of SFAS No. 157 for non-financial assets and liabilities, except those that are recognized or disclosed in financial statements on a recurring basis (at least annually), until fiscal years beginning after November 15, 2008. The Company does not expect the adoption of SFAS No. 157 to have a material impact on the financial statements.

NOTE 5. RELATED PARTIES

For the six and three month periods ended November 30, 2008, the Company incurred $5,537 and $3,779 of expenses related to air travel to a partnership principally owned by the Chief Executive Officer of the Company. For the six and three month periods ended November 30, 2007, the Company incurred $17,840 and $10,270 of expenses related to air travel to a partnership principally owned by the Chief Executive Officer of the Company.

The Company has an agreement with its Chairman to pay $12,500 per month as a director fee. For the three month periods ended November 30, 2008, the Company incurred $37,500 for this director's fee. For the three month periods ended November 30, 2007, the Company incurred $37,500 for this director's fee.

The Company has an agreement with Carleton A. Holstrom, Eugene A. Bauer, MD, Peter G. Tombros, Frank M. Dougherty and Thomas P. Stagnaro to pay each $1,667 per month payable on a quarterly basis in arrears as a director fee. For the six and three month periods ended November 30, 2008, the Company incurred $46,668 and $25,000 for these directors' fees. For the six and three month periods ended November 30, 2007, the Company incurred $30,000 and $15,000 for these directors' fees. As of November 30, 2008, $10,000 is included within Accrued Expenses and were paid in December 2008 and January 2009.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with the Company's unaudited financial statements and related notes included in Item 1, "Financial Statements," of this Quarterly Report on Form 10-Q, as well as the Company's Annual Report on Form 10-K for the fiscal year ended May 31, 2008. This discussion, as well as the remainder of this Quarterly Report on Form 10-Q, may contain forward-looking statements that are not historical facts and that are intended to be covered by the safe harbor for forward-looking statements provided by the Private Securities Litigation Reform Act of 1995. Forward looking statements can be identified by the use of words such as "believe," "expect," "may," "will," "should," "intend," "anticipate" or the negative thereof or comparable terminology, and include discussions of matters such as anticipated financial performance, liquidity and capital resources, business prospects, technological developments, new and existing products, regulatory approvals and research and development activities. These forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those expected. Please see the Company's Annual Report on Form 10-K for the fiscal year ended May 31, 2008 and other documents filed with the Securities and Exchange Commission for additional disclosures regarding potential risk factors that may cause the Company's actual results and experience to differ materially from those contained in such forward-looking statements.

Overview

We are a development stage company engaged in developing a class of biopharmaceutical drugs for treating autoimmune and inflammatory diseases. Our lead product, PRTX-100, has demonstrated effectiveness in pre-clinical studies in regulating the immune system with persisting effects. However, the effectiveness of PRTX-100 shown in pre-clinical studies using animal models may not be predictive of the results that we will see in our clinical trials. We currently have no product on the market. We are initially targeting the autoimmune diseases idiopathic thrombocytopenic purpura, or ITP, and Rheumatoid Arthritis, or RA.

Favorable pre-clinical safety and efficacy studies for our lead compound, PRTX-100, laid the foundation for the Investigational New Drug Application, or IND, for treating RA. We submitted the IND to the United States Food and Drug Administration, or FDA, in March 2005. In March 2005 the FDA verbally disclosed to us that it had placed our IND on clinical hold, pending additional product characterization. In August 2005, we formally replied to the FDA and in September 2005, the FDA notified us that it had lifted the clinical hold on our IND and that our proposed study could proceed. We commenced with the Phase I clinical trial in December 2005 and completed the Phase I clinical trial in March 2006. This Phase I trial was performed in healthy volunteers, and was designed primarily to assess the safety and tolerability of PRTX-100. The basic safety data demonstrated that PRTX-100 was safe and well tolerated. There were no deaths or serious adverse events. The pharmacokinetic, or PK, profile was favorable and the pre-clinical PK data were confirmed by the data in this Phase I clinical trial. In May 2007, we filed an amendment to the IND with the FDA. This amendment included the final Phase I safety study report, Chemistry, Manufacturing and Control or CMC update, and a protocol for the Phase I study conducted in July 2007.

RA is an autoimmune disease that causes the inflammation of the membrane lining multiple joints, resulting in pain, stiffness, warmth, redness and swelling. The inflamed joint lining, the synovium, can invade and damage bone and cartilage. Inflammatory cells release enzymes and cytokines that may damage bone and cartilage. The involved joint can lose its shape and alignment, resulting in pain and loss of movement. In July 2007, we commenced with an additional Phase I clinical trial designed to gain more detailed information on biomarkers, including gene expression profiling and platelet functional assessments which will allow for more optimized patient selection and targeting in the upcoming Phase II study. The trial extended the clinical investigation of PRTX-100 tolerability, PK, and pharmacodynamics, or PD, at higher dose ranges. Dosing was completed in July 2007 and final results indicated that the drug was safe and well tolerated. A Phase Ib randomized, double-blind, placebo-controlled, multiple dose, dose escalation safety and tolerability study of PRTX-100 in combination with methotrexate in patients with active RA in Russia, South Africa and Australia is scheduled to commence enrollment in the second quarter of calendar 2009.

ITP is an uncommon autoimmune bleeding disorder characterized by too few platelets in the blood. Affected individuals may have bruising, small purple marks on the skin called petechiae, bleeding from the gums after having dental work, nosebleeds or other bleeding that is hard to stop, and in women, heavy menstrual bleeding. Although bleeding in the brain is rare, it can be life threatening if it occurs. The affected individuals make antibodies against their own platelets leading to the platelets' destruction, which in turn leads to the abnormal bleeding. For ITP, we contracted with Trident Clinical Research Pty Ltd, a leading Australian clinical research organization, to manage and monitor our first-in-patient ITP Phase 1b clinical trial. This clinical trial is designed to provide initial multiple dose safety and PK data as well as preliminary efficacy information. We have been approved for six sites in Australia and one in New Zealand, all regional referral centers for treatment of chronic ITP, to conduct a repeated dose study of PRTX-100 in chronic ITP patients. This clinical trial began enrolling patients in the second calendar quarter of 2008 and is expected to continue enrolling patients hrough the second calendar quarter of 2009.

In the area of intellectual property and derivative drug development, our patent application was filed in April 2002 and in May 2007 the United States Patent and Trademark Office or PTO issued patent #7,211,258 titled “Protein A Compositions and Methods of Use.” Additionally, patent applications relating to the manufacturing process of PRTX-100 are currently in process.

In the third fiscal quarter of 2006, we completed the expansion of our current facility in New Hope, PA and in April 2007, we extended our lease through January 31, 2009 with an option for one additional year. In August 2008, we exercised the option and extended our lease through January 31, 2010.

For the period ended May 31, 2008, our independent registered public accounting firm Grant Thornton LLP, indicated in their report on our 2008 financial statements that there is substantial doubt about our ability to continue as a going concern.

Critical Accounting Policies

Our financial statements are prepared in conformity with accounting principles generally accepted in the United States of America. Note 2 to the financial statements describes the significant accounting policies and methods used in the preparation of our financial statements.

We have identified the policies below as some of the more critical to our business and the understanding of our financial position and results of operations. These policies may involve a high degree of judgment and complexity in their application and represent the critical accounting policies used in the preparation of our financial statements. Although we believe our judgments and estimates are appropriate and correct, actual future results may differ from estimates. If different assumptions or conditions were to prevail, the results could be materially different from these reported results. The impact and any associated risks related to these policies on our business operations are discussed throughout this report where such policies affect our reported and expected financial results.

The preparation of our financial statements, in conformity with accounting principles generally accepted in the United States, requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and equity and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of expenses during the reporting period. These estimates have a material impact on our financial statements and are discussed in detail throughout this report.

As part of the process of preparing our financial statements, we are required to estimate income taxes in each of the jurisdictions in which we operate. This process involves estimating actual current tax expense together with assessing temporary differences resulting from differing treatment of items for tax and accounting purposes. These differences result in deferred tax assets and liabilities, which are included within the balance sheet. We must then assess the likelihood that our deferred tax assets will be recovered from future taxable income and to the extent we believe that recovery is not likely, we must establish a valuation allowance. In the event that we determine that we would be able to realize deferred tax assets in the future in excess of the net recorded amount, an adjustment to the deferred tax asset valuation allowance would increase income in the period such determination was made.

We account for our stock option grants under the provisions of SFAS No. 123R, Share-Based Payments ("SFAS 123R"). SFAS 123R requires the recognition of the fair value of share-based compensation in the statements of operations. The fair value of our stock option awards was estimated using a Black-Scholes option valuation model. This model requires the input of highly subjective assumptions and elections in adopting and implementing SFAS 123R, including expected stock price volatility and the estimated life of each award. The fair value of share-based awards is amortized over the vesting period of the award and we have elected to use the straight-line method for awards granted after the adoption of SFAS 123R. Prior to the adoption of SFAS 123R, we accounted for our stock option grants under the provisions of Accounting Principles Board ("APB") Opinion No. 25, Accounting for Stock Issued to Employees ("APB25") and made pro forma footnote disclosures as required by SFAS No. 148, Accounting for Stock-Based Compensation—Transition and Disclosure, which amends SFAS No. 123, Accounting for Stock-Based Compensation.

Results of Operations

Research and Development Expenses - - Research and Development expenses were $1,864,338, and $3,761,633 for the six months ended November 30, 2008 and 2007, respectively and were $842,840 and $2,057,718 for the three months ended November 30, 2008 and 2007, respectively. The decrease of $1,897,295, or 50%, for the six month period and $1,214,878, or 59%, for the three month period was primarily the result of fewer employees and consultants, the completion of the Phase I clinical trial, and a decrease in product manufacturing and formulation related costs as compared to the same period last year.

There are significant risks and uncertainties inherent in the preclinical and clinical studies associated with our research and development program. These studies may yield varying results that could delay, limit or prevent a program's advancement through the various stages of product development and significantly impact the costs to be incurred, and time involved, in bringing a program to completion. As a result, the costs to complete such programs, as well as the period in which net cash outflows from such programs are expected to be incurred, are not reasonably estimable.

Administrative Expenses - Administrative expenses were $1,231,341 and $1,456,471 for the six months ended November 30, 2008 and 2007, respectively and were $599,510 and $775,371 for the three months ended November 30, 2008 and 2007, respectively. The decrease of $225,130, or 15%, for the six month period and $175,861, or 23%, for the three month period was due to decreased stock option compensation expense as compared to the same periods last year.

Professional Fees - Professional expenses were $263,293 and $362,104 for the six months ended November 30, 2008 and 2007, respectively and were $93,706 and $159,429 for the three months ended November 30, 2008 and 2007. The decrease of $98,811, or 27%, for the six month period and $65,723, or 41%, was due to a decrease in legal, accounting and employee recruiting fees as compared to the same period last year.

Interest income - Interest income was $55,560 and $396,038 for the six months ended November 30, 2008 and 2007, respectively and was $16,509 and $178,943 for the three months ended November 30, 2008 and 2007, respectively. The decrease of $340,478, or 86%, for the six month period and $162,434, or 91%, for the three month period was attributed to a decrease in interest bearing cash balances resulting from the use of cash in operations and lower interest rates as compared to the same periods last year.

Net Loss Outlook

We have not generated any product sales revenues, have incurred operating losses since inception and have not achieved profitable operations. Our deficit accumulated during the development stage through November 30, 2008 is $40,581,651, and we expect to continue to incur substantial losses in future periods. We expect that our operating losses in future periods will be the result of continued research and development expenses relating to PRTX-100, as well as costs incurred in preparation for the potential commercialization of PRTX-100.

We are highly dependent on the success of our research and development efforts and, ultimately, upon regulatory approval and market acceptance of our products under development, particularly our lead product candidate, PRTX-100. We may never receive regulatory approval for any of our product candidates, generate product sales revenues, achieve profitable operations or generate positive cash flows from operations, and even if profitable operations are achieved, they may not be sustained on a continuing basis.

Liquidity and Capital Resources

Since 1999, we have incurred significant losses, and we expect to experience operating losses and negative operating cash flow for the foreseeable future. Historically, our primary source of cash to meet short-term and long-term liquidity needs has been the sale of shares of our common stock. We have issued shares in private placements at a discount to the current market price.

On September 18, 2003, we raised $12,657,599 through the sale of 7,445,646 shares of our common stock at $1.70 per share, with warrants to purchase an additional 3,164,395 shares of our common stock, at an exercise price of $2.40 per share. These warrants expired on September 19, 2008. Net of transaction costs of $1,301,536, our proceeds were $11,356,063.

On May 25, 2005, we raised $5,057,885 through the sale of 2,593,788 shares of our common stock at $1.95 per share, with warrants to purchase an additional 920,121 shares of our common stock, at an exercise price of $2.25 per share. The warrants expire on May 25, 2010. Net of transaction costs of $206,717, our proceeds were $4,851,168.

On December 30, 2005, we raised $5,839,059 through the sale of 2,595,132 shares of our common stock at $2.25 per share, with warrants to purchase an additional 648,784 shares of our common stock, at an exercise price of $2.99 per share. We also issued warrants to purchase 227,074 shares of our common stock, at an exercise price of $2.99 per share, to the placement agent. All the warrants expire on December 30, 2010. Net of transaction costs of approximately $328,118, our proceeds were $5,510,941.

In the fourth fiscal quarter of 2006, existing investors exercised 351,598 warrants which resulted in $786,538 in cash proceeds.

On July 7, 2006, we raised $14,217,660, net of transaction costs of $959,874, through the sale of 6,071,013 shares of our common stock at $2.50 per share, with warrants to purchase an additional 1,517,753 shares of our common stock, at an exercise price of $3.85 per share. We also issued warrants to purchase 531,214 shares of our common stock, at an exercise price of $3.85 per share, to the placement agent. All the warrants expire on July 7, 2011.

In the first fiscal quarter of 2007, existing investors and option holders exercised 133,500 warrants and 6,000 options which resulted in $315,574 in cash proceeds.

To the extent any further warrants are exercised, we intend to use the proceeds for general working capital and corporate purposes.

Net Cash Used In Operating Activities and Operating Cash Flow Requirements Outlook

Our operating cash outflows for the three months ended November 30, 2008 and 2007 have resulted primarily from research and development expenditures associated for PRTX-100. We expect to continue to use cash resources to fund operating losses. We expect to continue to incur operating losses in fiscal 2009 and beyond due to continuing research and development activities.

Net Cash Used In Investing Activities and Investing Requirements Outlook

We expect to continue to require investments in information technology, laboratory and office equipment to support our research and development activities. In August 2008, we sold laboratory equipment with net proceeds of $200,000.

Net Cash Provided by Financing Activities and Financing Requirements Outlook

We had no net cash inflows provided by financing activities for the six and three months ended November 30, 2008 and 2007, respectively.

We may never receive regulatory approval for any of our product candidates, generate product sales revenues, achieve profitable operations or generate positive cash flows from operations, and even if profitable operations are achieved, these may not be sustained on a continuing basis. We have invested a significant portion of our time and financial resources since our inception in the development of PRTX-100, and our potential to achieve revenues from product sales in the foreseeable future is dependent largely upon obtaining regulatory approval for and successfully commercializing PRTX-100, especially in the United States. We expect to continue to use our cash and investments resources to fund operating and investing activities. We believe that our existing cash and cash equivalents of $5,130,682 as of November 30, 2008 will be sufficient to fund operations into the first calendar quarter of 2009 based upon our expectations of the level of research and development, and administrative activities necessary to achieve our strategic objectives.

As of November 30, 2008, we had cash and cash equivalents of $5,130,682 and net working capital of $4,849,215. We have suffered recurring losses from operations and negative cash flows and, unless we are able to generate additional funds from third party sources in the near future, we will not be able to meet our financial obligations. Additional financing or potential sublicensing of PRTX-100 will be required during the first quarter of calendar 2009, if not sooner, in order to continue to fund operations. As a result, our independent registered public accounting firm, Grant Thornton LLP, indicated in their report on our 2008 financial statements that there is substantial doubt about our ability to continue as a going concern.

Off Balance Sheet Arrangements and Contractual Obligations

We have entered into the following contractual obligations:

- *Employee Agreements-Officers*. To attract and retain qualified management personnel, we have entered into employment agreements with two executive officers: Steven H. Kane, president and chief executive officer and Marc L. Rose, CPA, vice president of finance, chief financial officer, treasurer and corporate secretary.
- *Directors Agreements*. To attract and retain qualified candidates to serve on the board of directors, we have entered into agreements with G. Kirk Raab, Chairman of the Board, Carleton A. Holstrom, Chairman of the Audit Committee, Eugene A. Bauer, MD, Peter G. Tombros, Frank M. Dougherty and Thomas P. Stagnaro under which Messrs. Raab, Holstrom, Dr. Bauer, Mr. Tombros, Mr. Dougherty and Mr. Stagnaro receive aggregate annual cash payments aggregating $150,000, $20,000, $20,000, $20,000, $20,000 and $20,000 respectively, as directors' fees.
- *Operating Lease – Office Space*. We have entered into a three-year operating lease in New Hope, PA for 3,795 square feet of office and laboratory space. The lease commenced in January 2004 and was originally to expire in February 2007. In November 2005, we modified the existing lease which added an additional 2,147 square feet and extended the lease term to January 2008 and in April 2007, we modified the existing lease and extended the lease term to January 2009. In August 2008, we exercised our option and extended the lease term to January 2010.
- *Operating Lease – Copier*. We have entered into a sixty-three month operating lease for a multi-function copier. The lease commenced on December 16, 2004 and will expire on March 16, 2010.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Management of our company is responsible for establishing and maintaining effective disclosure controls and procedures as defined under Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934. As of November 30, 2008, an evaluation was performed, under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that as of November 30, 2008, our disclosure controls and procedures were effective at the reasonable assurance level to ensure that information required to be disclosed by the Company in reports filed under the Exchange Act was recorded, processed, summarized and reported within the time period required by the Securities and Exchange Commission's rules and forms and accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting

During the quarter ended November 30, 2008 and thereafter, there have been no changes in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

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

On October 21, 2008, the Company held its 2008 annual meeting of stockholders. Based on the Inspector of Elections Report, dated October 21, 2008, the voting results for the matters submitted to a vote of the Company's stockholders at such meeting were as follows:

1. Eight board nominees for director were elected for terms expiring at the 2009 annual meeting of stockholders, as follows:

Nominee	Votes For	Votes Withheld
G. Kirk Raab	21,252,554	302,772
Steven H. Kane	21,339,827	215,499
Eugene A. Bauer, MD	21,409,275	146,051
Frank M. Dougherty	18,357,556	3,197,770
Carleton A. Holstrom	21,409,275	146,051
Dinesh Patel, PhD	21,409,275	146,051
Thomas P. Stagnaro	21,251,554	303,772
Peter G. Tombros	21,409,275	146,051

2. A proposal to ratify the appointment of Grant Thornton LLP as the Company's independent public accountants for fiscal year ending May 31, 2009 was approved, as follows:

Votes For	Votes Against	Abstentions
21,525,339	12,434	17,553

ITEM 6. EXHIBITS:

EXHIBIT INDEX

2.1	Stock Purchase Agreement among the Company, Don Hanosh and Enerdyne Corporation, dated December 6, 1999	Incorporated by reference, to Exhibit 2.1 to the Company's 10-SB filing on December 6, 1999
2.2	Merger Agreement and Plan of Re-organization between the Company and Enerdyne Corporation	Incorporated by reference, to Exhibit 2.2 to the Company's 10-SB filing on December 6, 1999
2.3	Plan of Merger and Agreement between Protalex, Inc., a New Mexico corporation and Protalex, Inc. a Delaware Corporation	Incorporated by reference, to Exhibit 2.1 to the Company's 8-K filing on December 6, 2004
3.1	Certificate of Incorporation of the Company	Incorporated by reference, to Exhibit 3.1 to the Company's 8-K filing on December 6, 2004
3.2	Bylaws of the Company	Incorporated by reference, to Exhibit 3.2 to the Company's 8-K filing on December 6, 2004
3.3	State of Delaware, Certificate of Amendment of Certificate of Incorporation	Incorporated by reference, to Exhibit 3.3 to the Company 10-QSB filed on January 13, 2006
4.1	Letter Agreement with Pembroke Financial Ltd. Dated July 9, 2001	Incorporated by reference, to Exhibit 10.9 to the Company's 10-KSB/A filed on September 24, 2003
4.2	Securities Purchase Agreement dated September 18, 2003 between the Company and certain of the Selling Stockholders	Incorporated by reference, to Exhibit 4.3 to the Company's SB-2 filed on October 20, 2003.
4.3	Investor Rights Agreement dated September 18, 2003 between the Company and certain of the Selling Stockholders	Incorporated by reference, to Exhibit 4.3 to the Company's SB-2 filed on October 20, 2003.
4.4	Form of Common Stock Purchase Warrant issued by the Company to the Selling Stockholders	Incorporated by reference, to Exhibit 4.4 to Company's SB-2 filed on October 20, 2003.
4.5	Warrant and Common Stock Purchase Agreement dated May 25, 2005 among the Company and the several purchasers thereunder	Incorporated by reference to Exhibit 4.5 to the Company's Form SB-2 filed on June 16, 2005
4.6	Registration Rights Agreement dated May 25, 2005 among the purchasers under the Warrant and Common Stock Purchase Agreement of even date therewith	Incorporated by reference to Exhibit 4.6 to the Company's Form SB-2 filed on June 16, 2005
4.7	Addendum 1 to Subscription Agreement and Questionnaire of vSpring SBIC, LP dated May 25, 2005	Incorporated by reference to Exhibit 4.7 to the Company's Annual Report on Form 10-KSB filed on August 26, 2005
4.8	Warrant and Common Stock Purchase Agreement dated December 22, 2005 among the Company and the several purchasers thereunder	Incorporated by reference, to Exhibit 4.5 to the Company's SB-2 filed on January 27, 2006
4.9	Registration Rights Agreement dated December 22, 2005 among the purchasers under the Warrant and Common Stock Purchase Agreement of even date therewith	Incorporated by reference, to Exhibit 4.6 to the Company's SB-2 filed on January 27, 2006
4.10	Form of Warrant issued by the Company to the Selling Stockholders dated December 22, 2005 of even date therewith	Incorporated by reference, to Exhibit 4.7 to the Company's SB-2 filed on January 27, 2006
4.11	Warrant and Common Stock Purchase Agreement dated June 30, 2006 among the Company and the several purchasers thereunder	Incorporated by reference, to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on July 10, 2006.
4.12	Registration Rights Agreement dated June 30, 2006 among the purchasers under the Warrant and Common Stock Purchase Agreement of even date therewith	Incorporated by reference, to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on July 10, 2006

4.13	Form of Warrant issued by the Company to the Selling Stockholders dated June 30, 2006 of even date therewith	Incorporated by reference, to Exhibit 10.3 to the Company's Current Report on Form 8-K filed on July 10, 2006
10.1	Employment offer letter executed by Steven H. Kane	Incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-QSB filed on January 13, 2006.
10.2	Board appointment executed by G. Kirk Raab	Incorporated by reference, to Exhibit 10.4 to the Company's Annual Report on Form 10-KSB/A filed on September 24, 2003.
10.3	Form of Option Agreement	Incorporated by reference, to Exhibit 10.6 to the Company's Annual Report on Form 10-KSB/A filed on September 24, 2003
10.4	Frame Contract between the Company and Eurogentec S.A.	Incorporated by reference, to Exhibit 10.5 to the Company's 10-KSB/A filed on September 24, 2003
10.5	Assignment of Intellectual Property from Alex LLC to the Company	Incorporated by reference, to Exhibit 10.8 to the Company's 10-KSB/A filed on September 24, 2003.
10.6	Assignment of Intellectual Property from Dr. Paul Mann to the Company	Incorporated by reference, to Exhibit 10.8 to the Company's Annual Report on Form 10-KSB/A filed on September 24, 2003.
10.7	Stock Redemption Agreement dated August 15, 2003, by and between the Company, Paul L. Mann, Leslie A. McCament-Mann, Gail Stewe and Elizabeth Sarah Anne Wiley	Incorporated by reference, to Exhibit 10.10 to the Company's Annual Report on Form 10-KSB/A filed on September 24, 2003.
10.8	Letter dated August 21, 2003 from Paul L. Mann to the Company	Incorporated by reference, to Exhibit 10.11 to the Company's Annual Report on Form 10-KSB/A filed on September 24, 2003.
10.9	Technology License Agreement dated November 17, 1999, between the Company and Alex, LLC	Incorporated by reference, to Exhibit 10.4 to the Company's Registration of Securities on Form 10-SB filed on December 6, 1999.
10.10	Letter Agreement, dated March 16, 2005, effective October 26, 2004, between the Company and Carleton A. Holstrom	Incorporated by reference, to Exhibit 10.3 to the Company's Quarterly Report on Form 10-QSB/A filed on April 14, 2005.
10.11	Description of the verbal agreement between the Company and Eugene A. Bauer, M.D.	Incorporated by reference to the Company's Current Report on Form 8-K filed on February 22, 2005.
10.12	Protalex, Inc. 2003 Stock Option Plan Amended and Restated as of July 29, 2005	Incorporated by reference to Appendix B to the Company's Proxy Statement filed on September 23, 2005.
10.13	Description of the verbal agreement between the Company and Peter G. Tombros	Incorporated by reference to the Company's Current Report on Form 8-K filed on November 14, 2005.
10.14	Modified lease agreement with Union Square LP, dated November 18, 2005	Incorporate by reference to Exhibit 99.1 to the Company's Current Report Form 8-K filed on November 22, 2005.
10.15	Employment offer letter executed by Marc L. Rose, CPA, Vice President, Chief Financial Officer, Treasurer and Corporate Secretary	Incorporated by reference, to Exhibit 10.2 to the Company's Quarterly Report on Form 10-QSB filed on January 14, 2005.
10.16	Employment offer letter executed by Victor S. Sloan, M.D, former Senior Vice President and Chief Medical Officer	Incorporated by reference, to Exhibit 10.1 to the Company's Quarterly Report on Form 10-QSB filed on October 14, 2005.
10.17†	Clinical Study Agreement executed October 19, 2005 between the Company and PAREXEL International LLC	Incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-QSB filed on January 13, 2006.
10.18†	Service Contract with AAIPharma Inc., dated January 29, 2007	Incorporated by reference to Exhibit 10.18 to the Company's Quarterly Report on Form 10-QSB filed on April 13, 2007.
10.19	Modified lease agreement with Union Square LP, dated April 30, 2007	Incorporate by reference to Exhibit 99.1 to the Company's Current Report Form 8-K filed on May 3, 2007.
31.1	Certification of Chief Executive Officer pursuant to Section 302(a) of the Sarbanes-Oxley Act	Filed herewith

31.2	Certification of Chief Financial Officer pursuant to Section 302(a) of the Sarbanes-Oxley Act	Filed herewith
32.1	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act	Filed herewith
32.2	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act	Filed herewith

†Portions of the exhibit have been omitted pursuant to a request for confidential treatment. The confidential portions have been filed with the SEC.

SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: January 14, 2009

PROTALEX, INC.

By: /s/ Steven H. Kane

Steven H. Kane, President and Chief
Executive Officer

Date: January 14, 2009

By: /s/ Marc L. Rose

Marc L. Rose, Vice President of Finance,
Chief Financial Officer, Treasurer
and Corporate Secretary

EXHIBIT INDEX

2.1	Stock Purchase Agreement among the Company, Don Hanosh and Enerdyne Corporation, dated December 6, 1999	Incorporated by reference, to Exhibit 2.1 to the Company's 10-SB filing on December 6, 1999
2.2	Merger Agreement and Plan of Re-organization between the Company and Enerdyne Corporation	Incorporated by reference, to Exhibit 2.2 to the Company's 10-SB filing on December 6, 1999
2.3	Plan of Merger and Agreement between Protalex, Inc., a New Mexico corporation and Protalex, Inc. a Delaware Corporation	Incorporated by reference, to Exhibit 2.1 to the Company's 8-K filing on December 6, 2004
3.1	Certificate of Incorporation of the Company	Incorporated by reference, to Exhibit 3.1 to the Company's 8-K filing on December 6, 2004
3.2	Bylaws of the Company	Incorporated by reference, to Exhibit 3.2 to the Company's 8-K filing on December 6, 2004
3.3	State of Delaware, Certificate of Amendment of Certificate of Incorporation	Incorporated by reference, to Exhibit 3.3 to the Company 10-QSB filed on January 13, 2006
4.1	Letter Agreement with Pembroke Financial Ltd. Dated July 9, 2001	Incorporated by reference, to Exhibit 10.9 to the Company's 10-KSB/A filed on September 24, 2003
4.2	Securities Purchase Agreement dated September 18, 2003 between the Company and certain of the Selling Stockholders	Incorporated by reference, to Exhibit 4.3 to the Company's SB-2 filed on October 20, 2003.
4.3	Investor Rights Agreement dated September 18, 2003 between the Company and certain of the Selling Stockholders	Incorporated by reference, to Exhibit 4.3 to the Company's SB-2 filed on October 20, 2003.
4.4	Form of Common Stock Purchase Warrant issued by the Company to the Selling Stockholders	Incorporated by reference, to Exhibit 4.4 to Company's SB-2 filed on October 20, 2003.
4.5	Warrant and Common Stock Purchase Agreement dated May 25, 2005 among the Company and the several purchasers thereunder	Incorporated by reference to Exhibit 4.5 to the Company's Form SB-2 filed on June 16, 2005
4.6	Registration Rights Agreement dated May 25, 2005 among the purchasers under the Warrant and Common Stock Purchase Agreement of even date therewith	Incorporated by reference to Exhibit 4.6 to the Company's Form SB-2 filed on June 16, 2005
4.7	Addendum 1 to Subscription Agreement and Questionnaire of vSpring SBIC, LP dated May 25, 2005	Incorporated by reference to Exhibit 4.7 to the Company's Annual Report on Form 10-KSB filed on August 26, 2005
4.8	Warrant and Common Stock Purchase Agreement dated December 22, 2005 among the Company and the several purchasers thereunder	Incorporated by reference, to Exhibit 4.5 to the Company's SB-2 filed on January 27, 2006
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†Portions of the exhibit have been omitted pursuant to a request for confidential treatment. The confidential portions have been filed with the SEC.

Exhibit 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Steven H. Kane, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Protalex, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report.

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant is made known to us by others, particularly during the period in which this report is being prepared;

b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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.

c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) disclosed in this quarterly report any change in internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors:

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: January 14, 2009

By: /s/ Steven H. Kane

Steven H. Kane
President, Chief Executive Officer and Director

Exhibit 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Marc L. Rose, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Protalex, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report.

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant is made known to us by others, particularly during the period in which this report is being prepared;

b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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.

c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) disclosed in this quarterly report any change in internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors:

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: January 14, 2009

By: /s/ Marc L. Rose

Marc L. Rose
Vice President of Finance, Chief Financial Officer, Treasurer and
Corporate Secretary

Exhibit 32.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Steven H. Kane, Chief Executive Officer of Protalex, Inc. (the "Registrant"), do hereby certify pursuant to Rule 13a-l4(b) of the Securities Exchange Act of 1934, as amended, and Section 1350 of Chapter 63 of Title 18 of the United States Code that:

(1) the Registrant's Quarterly Report on Form 10-Q for the quarter ended November 30, 2008 (the "Report"), to which this statement is filed as an exhibit, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

Dated: January 14, 2009

By: /s/ Steven H. Kane

Steven H. Kane
President, Chief Executive Officer and Director

Exhibit 32.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Marc L. Rose, Chief Financial Officer of Protalex, Inc. (the "Registrant"), do hereby certify pursuant to Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended, and Section 1350 of Chapter 63 of Title 18 of the United States Code that:

(1) the Registrant's Quarterly Report on Form 10-Q for the quarter ended November 30, 2008 (the "Report"), to which this statement is filed as an exhibit, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

Dated: January 14, 2009

By: /s/ Marc L. Rose

Marc L. Rose
Vice President of Finance, Chief Financial Officer, Treasurer and Corporate Secretary