

CYTODYN INC
Form 424B3
April 13, 2016
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Filed Pursuant to Rule 424(b)(3)
Registration No. 333-206896

Prospectus Supplement No. 1

(to Prospectus dated October 5, 2015)

17,861,210 SHARES OF COMMON STOCK

This Prospectus Supplement No. 1 (this Prospectus Supplement) supplements the prospectus of CytoDyn Inc. (the Company , we , us , or our) dated October 5, 2015 (as supplemented to date, including by this Prospectus Supplement the Prospectus) with the following attached documents which we filed with the Securities and Exchange Commission:

- A. Quarterly Report on Form 10-Q for the fiscal quarter ended February 29, 2016 filed with the Securities and Exchange Commission on April 13, 2016.
- B. Current Report on Form 8-K filed with the Securities and Exchange Commission on March 21, 2016.
- C. Definitive Proxy Statement on Schedule 14A filed with the Securities and Exchange Commission on February 18, 2016.
- D. Current Report on Form 8-K filed with the Securities and Exchange Commission on January 29, 2016.
- E. Current Report on Form 8-K filed with the Securities and Exchange Commission on January 22, 2016.
- F. Quarterly Report on Form 10-Q for the fiscal quarter ended November 30, 2015 filed with the Securities and Exchange Commission on January 11, 2016.
- G. Current Report on Form 8-K filed with the Securities and Exchange Commission on January 8, 2016.
- H. Current Report on Form 8-K filed with the Securities and Exchange Commission on December 24, 2015.

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- I. Current Report on Form 8-K filed with the Securities and Exchange Commission on December 3, 2015.
- J. Current Report on Form 8-K filed with the Securities and Exchange Commission on November 25, 2015.
- K. Quarterly Report on Form 10-Q for the fiscal quarter ended August 31, 2015 filed with the Securities and Exchange Commission on October 9, 2015.

This Prospectus Supplement should be read in conjunction with the Prospectus, which is required to be delivered with this Prospectus Supplement. This Prospectus Supplement updates, amends and supplements the information included in the Prospectus. If there is any inconsistency between the information in the Prospectus and this Prospectus Supplement, you should rely on the information in this Prospectus Supplement.

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This Prospectus Supplement is not complete without, and may not be delivered or utilized except in connection with, the Prospectus, including any amendments or supplements to it.

Investing in our common stock involves risks. Before making any investment in our common stock, you should carefully consider the risk factors for our common stock, which are described in the Prospectus, as amended or supplemented.

In making an investment decision, you should rely only on the information contained in the Prospectus, as supplemented or amended by this Prospectus Supplement and any other prospectus supplement or amendment thereto. We have not authorized anyone to provide you with different or additional information.

You should not assume that the information contained in the Prospectus is complete and accurate as of any date other than the date of the most recent prospectus supplement or amendment thereto, regardless of the time of delivery of the Prospectus or any sale of securities offered thereby.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this Prospectus Supplement is April 13, 2016.

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	Annex
<u>Quarterly Report on Form 10-Q for the fiscal quarter ended February 29, 2016 filed with the Securities and Exchange Commission on April 13, 2016.</u>	A
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ANNEX A

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

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

For the quarterly period ended February 29, 2016

.. **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES ACT OF 1933**

For the transition period from _____ to _____

Commission File Number: 000-49908

CYTODYN INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

75-3056237
(I.R.S. Employer or
Identification No.)

1111 Main Street, Suite 660

Vancouver, Washington
(Address of principal executive offices)

98660
(Zip Code)

(Registrant's telephone number, including area code) (360) 980-8524

(Former name, former address and former fiscal year, if changed since last report)

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

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

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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 the definitions of large accelerated filer, accelerated filer, and smaller reporting company in Rule 12b-2 of the Exchange Act.

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

On March 31, 2016, there were 118,372,275 shares outstanding of the registrant's \$0.001 par value common stock.

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Cytodyn Inc.

Consolidated Balance Sheets

	February 29, 2016 (unaudited)	May 31, 2015
Assets		
Current assets:		
Cash	\$ 10,202,168	\$ 1,050,060
Prepaid expenses	223,876	253,833
Prepaid clinical service fees	1,788,840	733,916
Total current assets	12,214,884	2,037,809
Furniture and equipment, net	16,137	24,213
Intangibles, net	2,354,739	2,617,239
Total assets	\$ 14,585,760	\$ 4,679,261
Liabilities and Shareholders Equity (Deficit)		
Current liabilities:		
Accounts payable	\$ 2,388,840	\$ 5,016,261
Accrued milestone payments		2,500,000
Accrued liabilities, salaries and interest payable	60,484	644,533
Accrued license fees	930,000	930,000
Convertible notes payable, net		1,634,458
Total current liabilities	3,379,324	10,725,252
Long-term liabilities:		
Related party, convertible notes payable, net		2,637,618
Related party, derivative liability		2,008,907
Total liabilities	3,379,324	15,371,777
Shareholders equity (deficit):		
Series B convertible preferred stock, \$.001 par value; 400,000 shares authorized, 95,100 shares issued and outstanding at February 29, 2016 and May 31, 2015, respectively	95	95
Common stock, \$.001 par value; 200,000,000 shares authorized, 118,372,275 and 63,644,348 issued and outstanding at February 29, 2016 and May 31, 2015, respectively	118,372	63,644

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Additional paid-in capital	101,816,713	60,766,047
Accumulated (deficit)	(90,728,744)	(71,522,302)
Total shareholders' equity (deficit)	11,206,436	(10,692,516)
Total liabilities and shareholders' equity	\$ 14,585,760	\$ 4,679,261

See accompanying notes to consolidated financial statements.

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CytoDyn Inc.

Consolidated Statements of Operations

(Unaudited)

	Three Months Ended		Nine Months Ended	
	February 29, 2016	February 28, 2015	February 29, 2016	February 28, 2015
Operating expenses:				
General and administrative	\$ 1,972,015	\$ 750,648	\$ 3,709,372	\$ 2,075,521
Amortization and depreciation	90,191	90,157	270,573	270,197
Research and development	2,741,051	2,264,064	9,711,360	6,414,531
Legal fees	245,780	187,582	908,991	478,466
Total operating expenses	5,049,037	3,292,451	14,600,296	9,238,715
Operating loss	(5,049,037)	(3,292,451)	(14,600,296)	(9,238,715)
Interest income	2,202	338	2,771	2,026
(Loss) on extinguishment of convertible notes			(584,177)	
Change in fair value of derivative liability		1,261,545	646,505	455,970
Interest expense:				
Amortization of discount on convertible notes		(254,485)	(1,791,967)	(1,298,825)
Amortization of debt issuance costs			(604,625)	
Amortization of discount on related party convertible notes		(143,012)	(94,344)	(203,711)
Inducement interest		(202,295)	(2,061,600)	(555,628)
Interest on notes payable		(91,293)	(118,709)	(246,204)
Total interest expense		(691,085)	(4,671,245)	(2,304,368)
(Loss) before income taxes	(5,046,835)	(2,721,653)	(19,206,442)	(11,085,087)
Provision for taxes on income				
Net (loss)	\$ (5,046,835)	\$ (2,721,653)	\$ (19,206,442)	\$ (11,085,087)
Basic and diluted (loss) per share	\$ (0.05)	\$ (0.05)	\$ (0.22)	\$ (0.19)
Basic and diluted weighted average common shares outstanding	104,844,162	58,961,254	86,916,655	56,985,042

See accompanying notes to consolidated financial statements.

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CytoDyn Inc.

Consolidated Statements of Cash Flows

(Unaudited)

	Nine Months Ended	
	February 29, 2016	February 28, 2015
Cash flows from operating activities:		
Net loss	\$ (19,206,442)	\$ (11,085,087)
Adjustments to reconcile net loss to net cash (used in) operating activities:		
Amortization and depreciation	270,573	270,197
Amortization of debt issuance costs	604,625	
Amortization of discount on convertible notes	2,121,491	1,298,825
Amortization of discount on related party notes	94,344	203,711
Change in fair value of derivative liability	(646,505)	(455,970)
Loss on extinguishment of convertible notes	584,177	
Interest expense associated with conversion inducement	757,611	555,628
Interest expense associated with extension of warrant expiration	866,713	
Stock-based compensation	1,546,383	450,782
Changes in current assets and liabilities:		
(Increase) decrease in prepaid expenses	(1,024,967)	257,575
(Decrease) increase in accounts payable, accrued salaries and severance, accrued interest, accrued license fees and accrued liabilities	(5,540,840)	738,224
Net cash (used in) operating activities	(19,572,837)	(7,766,115)
Cash flows from investing activities:		
Furniture and equipment purchases		(16,053)
Net cash (used in) investing activities		(16,053)
Cash flows from financing activities:		
Proceeds from sale of common stock and warrants	33,268,466	
Proceeds from issuance of convertible note payable		3,500,000
Proceeds from exercise of warrants, net of offering costs	94,283	1,066,436
Payment of principal and interest on convertible notes payable	(789,140)	
Payment of offering costs	(3,848,664)	
Net cash provided by financing activities	28,724,945	4,566,436
Net change in cash	9,152,108	(3,215,732)
Cash, beginning of period	1,050,060	4,886,122
Cash, end of period	\$ 10,202,168	\$ 1,670,390

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See accompanying notes to consolidated financial statements.

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CytoDyn Inc.

Consolidated Statements of Cash Flows

(Unaudited)

	Nine Months Ended	
	February 29, 2016	February 28, 2015
Supplemental disclosure of cash flow information:		
Cash paid during the period for:		
Income taxes	\$	\$ 2,198
Interest	\$ 26,890	\$ 170,934
Non-cash investing and financing transactions:		
Common stock issued upon conversion of convertible debt	\$ 7,947,842	\$ 1,175,000
Common stock issued or to be issued for accrued interest payable	\$ 143,479	\$ 729
Original issue discount related to valuation of compound embedded derivative of convertible note payable issued with anti-dilution feature	\$	\$ 1,170,264
Original issue discount related to valuation of relative fair value of warrants issued with convertible note payable	\$	\$ 215,732
Preferred and common stock subject to recission liability	\$	\$ 25,000

See accompanying notes to consolidated financial statements

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CYTODYN INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AS OF FEBRUARY 29, 2016

(UNAUDITED)

Note 1 Organization

CytoDyn Inc. (the Company) was originally incorporated under the laws of Colorado on May 2, 2002 under the name RexRay Corporation (its previous name) and, effective August 27, 2015, reincorporated under the laws of Delaware. We are a clinical-stage biotechnology company focused on the clinical development and potential commercialization of humanized monoclonal antibodies to treat Human Immunodeficiency Virus (HIV) infection. Our lead product candidate, PRO 140, belongs to a class of HIV therapies known as entry inhibitors. These therapies block HIV from entering into and infecting certain cells.

The Company is developing a class of therapeutic monoclonal antibodies to address unmet medical needs in the areas of HIV and graft versus host disease.

Advanced Genetic Technologies, Inc. (AGTI) was incorporated under the laws of Florida on December 18, 2006 pursuant to an acquisition during 2006 and is currently a dormant subsidiary.

On May 16, 2011, the Company formed a wh