CYTODYN INC
Form 424B3
September 03, 2015
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Registration No. 333-204802

Prospectus

30,754,131 SHARES OF COMMON STOCK

This prospectus relates to the offer and sale of up to 30,754,131 shares of our common stock by the selling shareholders identified in this prospectus. The shares being offered include:

11,233,666 shares issuable upon exercise, at an exercise price of $0.75 per share, of warrants issued in connection with private placement transactions;

923,072 shares issuable upon exercise, at an exercise price of $0.50 per share, of warrants issued in a privately placed bridge financing transaction;

a total of 4,860,092 shares issuable upon exercise, at an exercise price of $0.75 per share, of warrants issued to our placement agent and its employees for such private placement transaction;

6,311,232 shares issuable upon exercise, at an exercise price of $1.00 per share, of warrants issued in connection with an offer to induce conversion of outstanding promissory notes;

525,641 shares issued upon the inducement to exercise warrants related to previously converted or repaid promissory notes;

5,308,040 shares issuable upon the conversion of promissory notes issued in a private placement transaction;

1,061,586 shares issuable upon exercise, at an exercise price of $0.75 per share, of warrants issued in such private placement transaction; and

530,802 shares issuable upon exercise, at an exercise price of $0.75 per share, of a warrant issued to our placement agent for such private placement transaction.

The selling shareholders may sell all or a portion of these shares from time to time, in amounts, at prices and on terms determined at the time of sale. The shares may be sold by any means described in the section of this prospectus entitled Plan of Distribution beginning on page 16.

We will not receive any proceeds from the sale of these shares. We will, however, receive cash proceeds equal to the total exercise price of warrants that are exercised for cash.

Our common stock is quoted on the OTCQB of the OTC Markets under the symbol CYDY. On September 2, 2015, the closing price of our common stock was $0.70 per share.

Investing in our common stock involves risks. You should read and carefully consider the Risk Factors section beginning on page 4 before investing in our common stock.

Neither the Securities and Exchange Commission nor any state regulatory agency 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 is September 2, 2015.

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In making your investment decision, you should rely only on the information contained in this prospectus. We have not authorized anyone to provide you with different or additional information.

We are not making an offer to sell or seeking an offer to buy any shares of common stock in any jurisdiction where the offer or sale is not permitted.

You should not assume that the information contained in this prospectus is complete and accurate as of any date other than the date of this prospectus, regardless of the time of delivery of this prospectus or any sale of securities offered hereby.

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus contains certain forward-looking statements that involve risks, uncertainties and assumptions that are difficult to predict. Words and expressions reflecting optimism, satisfaction or disappointment with current prospects, as well as words such as believes, hopes, intends, estimates, expects, projects, plans, anticipates and va or the use of future tense, identify forward-looking statements, but their absence does not mean that a statement is not forward-looking. Our forward-looking statements are not guarantees of performance and actual results could differ materially from those contained in or expressed by such statements. In evaluating all such statements we urge you to specifically consider various risk factors identified in this prospectus, including the matters set forth under the heading Risk Factors, any of which could cause actual results to differ materially from those indicated by our forward-looking statements.

Our forward-looking statements reflect our current views with respect to future events and are based on currently available financial, economic, scientific, and competitive data and information on current business plans. You should not place undue reliance on our forward-looking statements, which are subject to risks and uncertainties relating to, among other things: (i) the sufficiency of our cash position, (ii) our ability to meet our debt obligations, (iii) our ability to achieve approval of a marketable product, (iv) design, implementation and conduct of clinical trials, (v) the results of our clinical trials, including the possibility of unfavorable clinical trial results, (vi) the market for, and marketability of, any product that is approved, (vii) the existence or development of vaccines, drugs, or other treatments for infection with the Human Immunodeficiency Virus that are viewed by medical professionals or patients as superior to our products, (viii) regulatory initiatives, compliance with governmental regulations and the regulatory approval process, (ix) general economic and business conditions, (x) changes in foreign, political, and social conditions, (xi) the specific risk factors discussed under the heading Risk Factors below, and (x) various other matters, many of which are beyond our control. Should one or more of these risks or uncertainties develop, or should underlying assumptions prove to be incorrect, actual results may vary materially and adversely from those anticipated, believed, estimated, or otherwise indicated by our forward-looking statements.

We intend that all forward-looking statements made in this prospectus will be subject to the safe harbor protection of the federal securities laws pursuant to Section 27A of the Securities Act of 1933, as amended, to the extent applicable. Except as required by law, we do not undertake any responsibility to update these forward-looking statements to take into account events or circumstances that occur after the date of this prospectus. Additionally, we do not undertake any responsibility to update you on the occurrence of any unanticipated events which may cause actual results to differ from those expressed or implied by these forward-looking statements.

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PROSPECTUS SUMMARY

The following summary highlights information contained elsewhere in this prospectus. It does not contain all the information that is important to you. You should read the entire prospectus, including the section entitled Risk Factors, before making an investment decision.

Corporate Information

CytoDyn Inc. is a Delaware corporation with its principal business office at 1111 Main Street, Suite 660, Vancouver, Washington 98660. Our website can be found at www.cytodyn.com. We do not intend to incorporate any contents from our website into this prospectus. Effective August 27, 2015, we completed a reincorporation from Colorado to Delaware, upon approval of our shareholders at our annual meeting.

Unless the context otherwise requires, references in this prospectus to CytoDyn, the Company, we, our, or us are CytoDyn Inc. and its subsidiaries.

The Company

We are a publicly traded 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. Although CytoDyn intends to focus its efforts on PRO 140, we also hold certain rights in two proprietary platform technologies: Cytolin®, a humanized monoclonal antibody targeting HIV with a mechanism of action which may prove to be synergistic to that of PRO 140 and other treatments, and CytoFeline , a felinized monoclonal antibody targeting Feline Immunodeficiency Virus.

The Transactions

The shares of our common stock being offered for resale by selling shareholders named herein pursuant to this prospectus were primarily issued in connection with private placement transactions and the inducement of the exercise of certain warrants.

On March 7, 2013 and May 31, 2013, we issued warrants to purchase 333,334 and 192,307, respectively, shares of common stock at an exercise price of $0.75 and $2.00 per share in connection with a private placement. Such warrants were exercised on January 20, 2015 at $0.55 per share in connection with an offer to induce the exercise of such warrants. A total of 525,641 shares of our Common Stock (the Shares) were issued in connection with such exercise.

On July 31, 2013, we issued a total of $1.2 million in unsecured convertible promissory notes bearing interest at a rate of 5% per year and convertible into shares of our common stock at a price of $0.65 per share (the Bridge Notes). We paid our placement agent, Paulson Investment Company LLC (Paulson), a 10% cash commission on the gross sale proceeds of the Bridge Notes. In connection with the sale of the Bridge Notes, we issued to the purchasers, warrants (the Bridge Warrants) to purchase a total of 923,072 shares of common stock exercisable at a price of $0.50 per share, expiring on July 31, 2016. Each holder of a Bridge Note had the right to convert all, but not less than all, of the principal amount of such notes, plus accrued but unpaid interest, into Units in our private placement, as described below. A total of $850,000 in principal amount of Bridge Notes was converted to Units in our private placement, $250,000 was repaid, and $100,000 plus accrued interest was later converted to 157,154 shares of common stock.

On October 23, 2013, we completed a private placement of 11,234,241 units (Units) for total gross proceeds of approximately $14.5 million (including Bridge Notes converted into Units). Each Unit was comprised of two shares of our common stock plus a warrant to purchase one additional share of common stock exercisable at an exercise price of $0.75 per share, expiring five years from the date of issuance. A total of 22,465,620 shares of common stock were issued, together with warrants (Unit Warrants) to purchase a total of 11,233,666 additional shares of our common stock.

From October 2012 to January 2013, we issued a total of approximately $6.0 million in unsecured convertible promissory notes bearing interest at a rate of 5% or 10% per year and convertible into shares of our common stock at a price of $0.75 per share (the Convertible Notes). In connection with an offer to induce the conversion of the remaining principal balance of the Convertible Notes of approximately $3.0 million in March 2015, we issued to the purchasers warrants (the Conversion Warrants) to purchase a total of 6,311,232 shares of common stock exercisable at a price of $1.00 per share. All but three of the Conversion Warrants are exercisable through October 2015, one Conversion Warrant, for the purchase of 530,641 shares of Common Stock, is exercisable through November 2015, one Conversion Warrant, for the purchase of 186,667 shares of Common Stock, is exercisable through December 2015, and one Conversion Warrant, for the purchase of 160,000 shares of Common Stock, is exercisable through January 2016.

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On October 23, 2013, we paid Paulson a 10% cash commission and a 3% nonaccountable, administrative fee on the gross sale proceeds of the Units (other than Units issued upon conversion of the Bridge Notes). With respect to the converted Bridge Notes, the placement agent received a 5% cash commission on the converted amount. We also issued to Paulson assignable warrants (the Placement Agent Warrants) to purchase 4,860,092 shares of our Common Stock at an exercise price of $0.75 per share. The Placement Agent Warrants expire seven years from the date of issuance. In addition, warrants to purchase 80,000 shares of common stock originally issuable to Paulson were instead issued to an assignee as Unit Warrants pursuant to a settlement between us and Paulson. If Unit Warrants are exercised in the future, Paulson will be entitled to an additional cash fee of 6% of the gross exercise proceeds realized by us.

On May 15, 2015, we completed a private placement of convertible promissory notes (the Private Placement Notes) in the aggregate principal of $3,981,050, convertible into an aggregate of 5,308,040 shares of Common Stock, together with warrants (the Private Placement Warrants) to purchase an aggregate of 1,061,586 shares of Common Stock at an exercise price of $0.75 per share. We issued to Paulson, as placement agent in this offering, a Private Placement Warrant to purchase an aggregate of 530,802 shares of Common Stock, with an exercise price of $0.75 per share. This warrant expires five years from the date of issuance.

The offer and sale of the Shares, Convertible Notes, Bridge Notes, Bridge Warrants, Units, Unit Warrants, Conversion Warrants, Placement Agent Warrants, Private Placement Notes and Private Placement Warrants were intended to be exempt from the registration requirements of the Securities Act of 1933, as amended (the Securities Act), pursuant to Section 4(a)(2) of the Securities Act and the safe harbor provisions of Rule 506(b) of Regulation D promulgated thereunder applicable to sales of securities exclusively to accredited investors, as that term is defined in Rule 501(a) of Regulation D.

This Offering

Securities being offered:	30,754,131 shares of common stock, including 11,233,666 shares that may be issued upon exercise of the Unit Warrants, 923,072 shares that may be issued upon exercise of the Bridge Warrants, 4,860,092 shares that may be issued upon exercise of the Placement Agent Warrants, 6,311,232 shares that may be issued upon the exercise of the Conversion Warrants, 525,641 shares issued upon the exercise of previously issued warrants, 5,308,040 shares that may be issued upon the conversion of the Private Placement Notes, and 1,592,388 shares that may be issued upon the exercise of the Private Placement Warrants.
Use of proceeds:	We will not receive any of the proceeds from the sale or other disposition of shares of our common stock by the selling shareholders. We may receive proceeds upon exercise for cash of the Unit Warrants, the Placement Agent Warrants, the Bridge Warrants and the Conversion Warrants, in which case such proceeds will be used for general working capital purposes. The Placement Agent Warrants include a cashless exercise feature, while the other warrants do not.
Market for common stock:	Our common stock is quoted on the OTCQB of the OTC Markets under the symbol CYDY. On September 2, 2015, the closing price of our common stock was $0.70 per share.

Risk factors:	See Risk Factors beginning on page 4 for risks you should consider before investing in our shares.

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RISK FACTORS

The risks enumerated below are not the only risks we face, and the listed risk factors are not intended to be an all-inclusive discussion of all of the potential risks relating to our business. Any of the risk factors described below could significantly and adversely affect our business, prospects, financial condition and results of operations. Additional risks and uncertainties not currently known or that are currently considered to be immaterial may also materially and adversely affect our business.

Risks Related to Our Business

We are a biotechnology company and have a history of significant operating losses; we expect to continue to incur operating losses, and we may never achieve or maintain profitability.

We have not generated any revenue from product sales, licensing, or other potential sales to date. Since our inception, we have incurred operating losses in each year due to costs incurred in connection with research and development activities and general and administrative expenses associated with our operations. Our current drug candidate is in the later stages of clinical trials, and we expect to commence significant additional clinical trials before we can seek the regulatory approvals necessary to begin commercial sales. During the fiscal years ended May 31, 2015, 2014 and 2013, we have incurred net losses of approximately $25.1 million, $12.4 million and $9.6 million and at May 31, 2015, we had an accumulated deficit of approximately $71.5 million. We expect to incur losses for the foreseeable future as we continue development of, and seek regulatory approvals for, our drug candidate and commercialize any approved product usages. If our current drug candidate fails to gain regulatory approval, or if it or other candidates we own do not achieve approval and market acceptance, we will not be able to generate any revenue, or explore other opportunities to enhance shareholder value, such as through a sale. If we fail to generate revenue and eventually become and remain profitable, or if we are unable to fund our continuing losses, our shareholders could lose all or part of their investments.

We will need substantial additional funding to complete our Phase 3 clinical trial for PRO 140 and to operate our business and such funding may not be available or, if it is available, such financing is likely to substantially dilute our existing shareholders.

The discovery, development, and commercialization of new treatments, such as our PRO 140 product candidate, entail significant costs. We expect the total estimated expenses for our first Phase 3 trial may range from approximately $13 million to $15 million. In addition, to the extent further development and clinical trials of PRO 140 and other products continue to appear promising and we elect to fund its development and commercialization, we will need to raise substantial additional capital, or enter into strategic partnerships, to enable us to:

- fund clinical trials and seek regulatory approvals;
- build or access manufacturing and commercialization capabilities;
- pay required license fees, milestone payments, and maintenance fees to Progenics Pharmaceuticals, Inc. (from which we acquired our PRO 140 product candidate) (Progenics) and other third parties;

develop, test, and, if approved, market our product candidate;

acquire or license additional internal systems and other infrastructure; and

hire and support additional management and scientific personnel.

Until we can generate a sufficient amount of product revenue to finance our cash requirements, which we may never achieve, we expect to finance our cash needs primarily through public or private equity offerings, debt financings or through strategic alliances. We cannot be certain that additional funding will be available on acceptable terms or at all. If we are not able to secure additional funding when needed, we may have to delay, reduce the scope of, or eliminate one or more of our clinical trials, collaborative development programs or future commercialization initiatives. In addition, any additional funding that we do obtain will dilute the ownership held by our existing security holders. The amount of this dilution may be substantially increased if the trading price of our common stock is lower at the time of any financing. Regardless, the economic dilution to shareholders will be significant if our stock price does not increase significantly, or if the effective price of any sale is below the price paid by a particular shareholder. Any debt financing could involve substantial restrictions on activities and creditors could seek a pledge of some or all of our assets. We have not identified potential sources for the additional financing that we will require, and we do not have commitments from any third parties to provide any future financing. If we fail to obtain additional funding as needed, we may be forced to cease or scale back operations, and our results, financial condition and stock price would be adversely affected.

The amount of financing we require will depend on a number of factors, many of which are beyond our control. Our results of operations, financial condition and stock price are likely to be adversely affected if our funding requirements increase or are otherwise greater than we expect.

Our future funding requirements will depend on many factors, including, but not limited to:

our stock price, which, if it declines, would serve as a disincentive to holders of our convertible promissory notes, totaling approximately $4.0 million in face amount at June 30, 2015, to exercise their conversion rights, thereby prolonging our interest expense burden and increasing the probability that repayment of all of the outstanding principal of $4.0 million will be required in fiscal 2016;

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the costs of our Phase 3 clinical trial for PRO 140 and other clinical trials and development activities conducted by us directly, and our ability to successfully conclude the studies and achieve favorable results;

the rate of progress and commercial benefits to us, if any, related to clinical trials of PRO 140 being conducted at Drexel University College of Medicine (Drexel);

our ability to attract strategic partners to pay for or share costs related to our product development efforts;

the costs and timing of seeking and obtaining regulatory approvals and making related milestone payments due to Progenics and other third parties.

the costs of filing, prosecuting, maintaining and enforcing patents and other intellectual property rights and defending against potential claims of infringement;

decisions to hire additional scientific or administrative personnel or consultants;

our ability to manage administrative and other costs of our operations; and

the presence or absence of adverse developments in our research program.

If any of these factors cause our funding needs to be greater than expected, our operations, financial condition, ability to continue operations and stock price may be adversely affected.

Our future cash requirements may differ significantly from our current estimates.

Our cash requirements may differ significantly from our estimates from time to time, depending on a number of factors, including:

the costs and results of our Phase 3 clinical trial and other clinical trials we are undertaking or may in the future pursue with PRO 140;

the time and costs involved in obtaining regulatory approvals;

whether our outstanding convertible notes are converted into equity or we receive additional cash upon the exercise of our outstanding common stock warrants;

whether we are able to obtain funding under future licensing agreements, strategic partnerships, or other collaborative relationships, if any;

the costs of compliance with laws, regulations, or judicial decisions applicable to us;

the costs of general and administrative infrastructure required to manage our business and protect corporate assets and shareholder interests; and

the ability to maintain and benefit from our clinical trial agreement with Drexel.

If we fail to raise additional funds on a timely basis we will need to scale back our business plans, which would adversely affect our business, financial condition, and stock price, and we may even be forced to discontinue our operations and liquidate our assets.

We have significant debt as a result of prior financings, all of which is scheduled to mature at various dates over the next two years. Our substantial indebtedness could adversely affect our business, financial condition and results of operations.

Our level of debt, which includes convertible promissory notes totaling approximately $4.0 million in face amount at June 30, 2015, could have significant consequences for our future operations, including, among others:

making it more difficult for us to meet our other obligations or raise additional capital;

resulting in an event of default, if we fail to comply with our payment obligations;

reducing the availability of any financing proceeds to fund operating expenses, other debt repayment, and working capital requirements; and

limiting our financial flexibility and hindering our ability to obtain additional financing.

Any of the above-listed factors could have a material adverse effect on our business, financial condition, results of operations, and ability to continue as a going concern.

Our ability to make interest and principal payments on our outstanding promissory notes will depend entirely on our ability to raise sufficient funds to satisfy our debt service obligations and our note holders willingness to convert their notes to common

shares, which will likely depend on our stock price from time to time. If note holders do not elect to convert, it is likely that we will need to borrow or raise additional funds to make required principal and interest payments, as such payments become due and payable, or undertake alternative financing plans, such as refinancing or restructuring our debt, selling additional shares of capital stock, selling assets or reducing or delaying investments in our business. Any inability to obtain additional funds or alternative financing on acceptable terms would likely cause us to be unable to meet our payment obligations, which could have a material adverse effect on our business, financial condition and results of operations and our ability to continue to operate.

Certain agreements and related license agreements require us to make significant milestone, royalty, and other payments, which will require additional financing and, in the event we do commercialize our PRO 140 product, decrease the revenues we may ultimately receive on sales.

Under the Progenics Agreement (see Our Business PRO 140 for a description), we must pay to Progenics and third-party licensors significant milestone payments, license fees for system know-how technology and royalties. For more information, see Business PRO 140 Acquisition and the Progenics Agreement, which is attached as Exhibit 10.1 to our Current Report on Form 8-K filed with the Securities and Exchange Commission (the SEC) on July 30, 2012, and the PDL License Agreement, which is filed as Exhibit 10.21 to our Annual Report on Form 10-K for the fiscal year ended May 31, 2013, filed with the SEC on August 29, 2013. In order to make the various milestone and license payments that are required, we will need to raise additional funds. In addition, our royalty obligations will reduce the economic benefits to us of any future sales if we do receive regulatory approval and seek to commercialize PRO 140.

Effective July 29, 2015, the Company entered into a License Agreement with Lonza Sales AG (Lonza) covering Lonza s system know-how technology with respect to the Company s use of proprietary cell lines to manufacture new PRO 140 material. The license requires payment of £600,000 (approximately US$930,000) by December 31, 2015, and a contingent payment of up to an additional £600,000 (approximately US$930,000) on June 30, 2016. The amount of the contingent payment depends on the outcome of pending litigation between Lonza and the company that sold PRO 140 to CytoDyn. The Company has accrued an expense for the payment of US$930,000, as of May 31, 2015, for the amount due by December 31, 2015, but has not accrued the contingent payment due on June 30, 2016, as of May 31, 2015, as the amount and probability of payment cannot be reasonably estimated. Future annual license fees and royalty rate will vary depending on whether CytoDyn manufactures PRO 140 itself, utilizes Lonza as a contract manufacturer, or utilizes an independent party as a contract manufacturer. Lonza does not charge an annual license fee of £300,000 when it serves as the manufacturer.

Certain proposed clinical trials of PRO 140 depend on funding from National Institute of Health (NIH) grants awarded to Drexel and its principal investigator, Dr. Jeffrey M. Jacobson.

Prior to our acquisition of PRO 140, Progenics and Drexel and its principal investigator, Dr. Jeffrey M. Jacobson, were awarded various grants from the NIH to fund clinical trials of PRO 140, including two grants that remain open. Our ability to benefit commercially from this continued funding will depend on whether Dr. Jacobson s protocols are structured in a manner that facilitates efforts to maintain PRO 140 s fast track drug candidate designation by the United States Food and Drug Administration (FDA) and obtain regulatory approval of commercially viable uses of PRO 140 in HIV-infected patients. We believe these clinical trials may constitute a Phase 2 study of PRO 140, but there can be no assurance that will be the case. If study protocols are not designed in a manner that provides commercial and regulatory benefits for us or if NIH funding is not maintained, is withdrawn, or proves insufficient, we may not derive any benefit from these clinical trials.

Clinical trials are expensive, time-consuming and subject to delay.

Clinical trials are subject to rigorous regulatory requirements and are expensive and time-consuming to design and implement. The length of time and number of trial sites and patients required for clinical trials vary substantially based on the type, complexity, novelty, intended use and any safety concerns relating to a drug candidate. We estimate that it may take at least two years to complete the necessary clinical trials, obtain regulatory approval from the FDA or other non-U.S. regulatory agency, and begin to commercialize PRO 140, even if trials are successful, of which there can be no assurance. Clinical trials for our other drug candidates, including Cytolin, may take significantly longer to complete, if they are pursued at all.

The commencement and completion of clinical trials which we are undertaking ourselves or are being conducted by Drexel could be delayed or prevented by many factors, including, but not limited to:

our ability to obtain regulatory or other approvals to commence and conduct clinical trials in the manner we or our partners consider appropriate for timely development;

our ability to identify and reach agreement on acceptable terms with prospective clinical trial sites and entities involved in the conduct of our clinical trials;

slower than expected rates of patient recruitment and enrollment, including as a result of competition with other clinical trials for patients, limited numbers of patients that meet the enrollment criteria, or the introduction of alternative therapies or drugs by others;

unforeseen issues with our relationship with our contract clinical management services provider;

delays in paying third-party vendors of biopharmaceutical services;

lack of effectiveness of our drug candidates during clinical trials; or

unforeseen safety issues.

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Testing of our primary product candidate, PRO 140, is ongoing and our clinical trial results may not ultimately confirm initial positive indications, which would materially and adversely affect our business, financial condition and stock price.

Our efforts to commercialize PRO 140 are dependent on obtaining FDA or other non-U.S. regulatory agency approval of its use in HIV-infected patients. Although test results have been positive thus far, the process of obtaining approval of a drug product for use in humans is extremely lengthy and time-consuming, and numerous factors may prevent our successful development of PRO 140, including negative results in future clinical trials, the development by competitors of other products with equal or better results, or inability to obtain sufficient additional funding to continue to pursue development. Failure to successfully develop PRO 140 would have a material and adverse effect on our business, financial condition and stock price, and would threaten our ability to continue to operate our business, particularly since PRO 140 is the only product candidate we are actively pursuing at this time.

Although PRO 140 has been designated as a candidate for fast track approval by the FDA, our ability to obtain accelerated approval may be lost.

The FDA designated PRO 140 as a candidate for fast track consideration in 2006. The letter ascribing this designation stated that, if the clinical development program pursued for PRO 140 did not continue to meet the criteria for fast track designation, the Investigational New Drug (IND) application would not be reviewed under the fast track program. There is no assurance that the FDA will ultimately consider PRO 140 for approval on an accelerated basis. Failure to maintain eligibility for fast track review will likely result in requirements for longer or additional clinical trials and a slower approval process, resulting in additional costs and further delay in the potential realization of revenues from commercialization of PRO 140.

Any failure to attract and retain skilled directors, executives, employees and consultants could impair our drug development and commercialization activities.

Our business depends on the skills, performance, and dedication of our directors, executive officers and key scientific and technical advisors. All of our current scientific advisors are independent contractors and are either self-employed or employed by other organizations. As a result, they may have conflicts of interest or other commitments, such as consulting or advisory contracts with other organizations, which may affect their ability to provide services to us in a timely manner. We may need to recruit additional directors, executive management employees, and advisers, particularly scientific and technical personnel, which will require additional financial resources. In addition, there is currently intense competition for skilled directors, executives and employees with relevant scientific and technical expertise, and this competition is likely to continue. If we are unable to attract and retain persons with sufficient scientific, technical and managerial experience, we may be forced to limit or delay our product development activities or may experience difficulties in successfully conducting our business, which would adversely affect our operations and financial condition.

We do not have internal research and development personnel, making us dependent on consulting relationships and strategic alliances with industry partners.

We currently have no research and development staff or coordinators. We rely and intend to continue to rely on third parties for many of these functions. We engaged Amarex Clinical Research, LLC (Amarex), a full service clinical research organization, to manage our clinical trials and chemistry and manufacturing control (CMC) endeavors. As a result, we will be dependent on consultants and strategic partners in our development and commercialization activities, and it may be administratively challenging to monitor and coordinate these relationships. If we do not appropriately manage our relationships with third parties, we may not be able to successfully manage development,

testing, and approval of our PRO 140 drug candidate or other products or commercialize any products that are approved, which would have a material and adverse effect on our business, financial condition and stock price.

We will need to outsource and rely on third parties for the clinical development and manufacture, sales and marketing of product candidates, and our future success will be dependent on the timeliness and effectiveness of the efforts of these third parties.

We are dependent on third parties for important aspects of our product development strategy. We do not have the required financial and human resources to carry out independently the pre-clinical and clinical development for our product candidate, and do not have the capability or resources to manufacture, market or sell our current product candidate. As a result, we contract with and rely on third parties for important functions, including testing, storing, and manufacturing our products and managing and conducting clinical trials from which we may obtain a benefit. We have recently entered into several agreements with third parties for such services. If problems develop in our relationships with third parties, or if such parties fail to perform as expected, it could lead to delays or lack of progress, significant cost increases, changes in our strategies, and even failure of our product initiatives.

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We may not be able to identify, negotiate and maintain the strategic alliances necessary to develop and commercialize our products and technologies, and we will be dependent on our corporate partners if we do.

We may seek to enter into a strategic alliance with a pharmaceutical company for the further development and approval of one or more of our product candidates. Strategic alliances potentially provide us with additional funds, expertise, access, and other resources in exchange for exclusive or non-exclusive licenses or other rights to the technologies and products that we are currently developing or may explore in the future. We cannot give any assurance that we will be able to enter into additional strategic relationships with a pharmaceutical company or others in the near future or at all, or maintain our current relationships. In addition, we cannot assure you that any agreements we do reach will achieve our goals or be on terms that prove to be economically beneficial to us. When we do enter into strategic or contractual relationships, we become dependent on the successful performance of our partners or counter-parties. If they fail to perform as expected, such failure could adversely affect our financial condition, lead to increases in our capital needs, or hinder or delay our development efforts.

Clinical trials may fail to demonstrate the desired safety and efficacy of our product candidates, which could prevent or significantly delay completion of clinical development and regulatory approval.

Prior to receiving approval to commercialize PRO 140 or any other product candidates, we must adequately demonstrate to the FDA and any foreign regulatory authorities in jurisdictions in which we seek approval that it or any other product candidate is sufficiently safe and effective with substantial evidence from well-controlled clinical trials. In clinical trials, we will need to demonstrate efficacy for the treatment of specific indications and monitor safety throughout the clinical development process and following approval. If clinical work by us or others leads to undesirable adverse effects in patients, it could delay or prevent us from furthering the regulatory approval process or cause us to cease clinical trials with respect to any drug candidate. If our current or future preclinical studies or clinical trials are unsuccessful, our business will be significantly harmed and our stock price would be negatively affected.

Our product candidates are subject to the risks of failure inherent in drug-related product development. Preclinical studies may not yield results that adequately support our regulatory applications. Even if these applications are filed with respect to our product candidates, the results of preclinical studies do not necessarily predict the results of clinical trials. In addition, even if we believe the data collected from clinical trials of our product candidates are promising, these data may not be sufficient to support approval by the FDA or foreign regulatory authorities. If regulatory authorities do not approve our products or if we fail to maintain regulatory compliance, we would be unable to commercialize our products, and our business, results of operations and financial condition would be harmed.

Our competitors may develop drugs that are more effective, safer and less expensive than ours.

We are engaged in the HIV treatment sector of the biopharmaceutical industry, which is intensely competitive. There are current treatments that are quite effective at controlling the effects of HIV, and we expect that new developments by other companies and academic institutions in the areas of HIV treatment will continue. If approved for marketing by the FDA, depending on the approved clinical indication, our product candidates may be competing with existing and future antiviral treatments for HIV.

Our competitors may:

develop drug candidates and market drugs that increase the levels of safety or efficacy that our product candidates will need to show in order to obtain regulatory approval;

develop drug candidates and market drugs that are less expensive or more effective than ours;

commercialize competing drugs before we or our partners can launch any products we are working to develop;

hold or obtain proprietary rights that could prevent us from commercializing our products; or

introduce therapies or market drugs that render our potential product candidates obsolete.

We expect to compete against large pharmaceutical and biotechnology companies and smaller companies that are collaborating with larger pharmaceutical companies, new companies, academic institutions, government agencies and other public and private research organizations. These competitors, in nearly all cases, operate research and development programs that have substantially greater financial resources than we do. Our competitors also have significantly greater experience in:

developing drug and other product candidates;

undertaking preclinical testing and clinical trials;

building relationships with key customers and opinion-leading physicians;

obtaining and maintaining FDA and other regulatory approvals;

formulating and manufacturing drugs;

launching, marketing and selling drugs; and

providing management oversight for all of the above-listed operational functions.

If we fail to achieve superiority over other existing or newly developed treatments, we may be unable to obtain regulatory approval. If our competitors market drugs that are less expensive, safer or more effective than our potential product candidates, or that gain or maintain greater market acceptance, we may not be able to compete effectively.

We expect to rely on third party manufacturers and will be dependent on their quality and effectiveness.

Our primary product candidate and potential drug candidates require precise, high-quality manufacturing. The failure to achieve and maintain high manufacturing standards, including failure to detect or control anticipated or unanticipated manufacturing errors or the frequent occurrence of such errors, could result in patient injury or death, discontinuance or delay of ongoing or planned clinical trials, delays or failures in product testing or delivery, cost overruns, product recalls or withdrawals and other problems that could seriously hurt our business. Contract drug manufacturers often encounter difficulties involving production yields, quality control and quality assurance and shortages of qualified personnel. These manufacturers are subject to stringent regulatory requirements, including the FDA s current good-manufacturing-practices regulations and similar foreign laws and standards. If our contract manufacturers fail to maintain ongoing compliance at any time, the production of our product candidates could be interrupted, resulting in delays or discontinuance of our clinical trials, additional costs and loss of potential revenues.

We may not be able to successfully scale-up manufacturing of our product candidates in sufficient quality and quantity, which would delay or prevent us from developing our product candidates and commercializing approved products, if any.

In order to conduct larger-scale or late-stage clinical trials and for commercialization of any resulting product, if that candidate is approved for sale, we will need to manufacture it in larger quantities. We may not be able to successfully increase the manufacturing capacity for any of our product candidates in a timely or cost-effective manner, or at all. In addition, quality issues may arise during scale-up activities. If we are unable to successfully scale up the manufacture of our product candidates in sufficient quality and quantity, the development and testing of that product candidate and regulatory approval or commercial launch of any resulting product may be delayed, which could significantly harm our business.

There is uncertainty relating to our product candidate Cytolin, and our business may be adversely affected if it later proves not to have the novel and beneficial characteristics we currently believe it to possess.

Until late 2012, the primary focus of our business was on the development of Cytolin, a monoclonal antibody that has, what we believe are, novel mechanisms of action directed against the replication of HIV. We do not understand all of the biomechanical mechanisms of Cytolin and we are not actively pursuing its development and review at this time. If we cannot determine how Cytolin acts to reduce the viral load of HIV infection, we may not seek or be able to obtain regulatory approval of its use in human patients.

We may be subject to potential product liability and other claims that could materially impact our business and financial condition.

The development and sale of medical products exposes us to the risk of significant damages from product liability and other claims, and the use of our product candidates in clinical trials may result in adverse effects. We cannot predict all the possible harms or adverse effects that may result. We maintain a modest amount of product liability insurance to provide some protections from claims. Nonetheless, we may not have sufficient resources to pay for any liabilities resulting from a personal injury or other claim, even if it is partially covered by insurance. In addition to the possibility of direct claims, we may be required to indemnify third parties against damages and other liabilities arising out of our development, commercialization and other business activities, which would increase our liability exposure. If third parties that have agreed to indemnify us fail to do so, we may be held responsible for those damages and other liabilities as well.

Legislative, regulatory, or medical cost reimbursement changes may adversely impact our business.

New laws, regulations and judicial decisions, or new interpretations of existing laws, regulations and decisions, that relate to the health care system in the U.S. and in other jurisdictions may change the nature of and regulatory requirements relating to drug discovery, clinical testing and regulatory approvals, limit or eliminate payments for medical procedures and treatments, or subject the pricing of pharmaceuticals to government control. Outside the U.S., and particularly in the European Union, the pricing of prescription pharmaceuticals is subject to governmental control. In addition, third-party payers in the U.S. are increasingly attempting to contain health care costs by limiting both coverage and the level of reimbursement of new drug

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products. Consequently, significant uncertainty exists as to the reimbursement status of newly approved health care products. Significant changes in the health care system in the U.S. or elsewhere, including changes resulting from adverse trends in third-party reimbursement programs, could have a material adverse effect on our projected future operating results and our ability to raise capital, commercialize products, and remain in business.

If we are unable to effectively implement or maintain a system of internal control over financial reporting, we may not be able to accurately or timely report our financial results and our stock price could be adversely affected.

Section 404 of the Sarbanes-Oxley Act of 2002 and related regulations require us to evaluate the effectiveness of our internal control over financial reporting as of the end of each fiscal year, and to include a management report assessing the effectiveness of our internal control over financial reporting in our Annual Report on Form 10-K for that fiscal year. Management determined that as of both May 31, 2015, and May 31, 2014, our disclosure controls and procedures and internal control over financial reporting were not effective due to material weaknesses in our internal control over financial reporting related to inadequate segregation of duties over authorization, review and recording of transactions, as well as the financial reporting of such transactions. Any failure to implement new or improved controls necessary to remedy the material weaknesses described above, or difficulties encountered in the implementation or operation of these controls, could harm our operations, decrease the reliability of our financial reporting, and cause us to fail to meet our financial reporting obligations, which could adversely affect our business and reduce our stock price.

Our success depends substantially upon our ability to obtain and maintain intellectual property protection relating to our product candidates and research technologies.

Due to evolving legal standards relating to the patentability, validity and enforceability of patents covering pharmaceutical inventions and the claim scope of patents, our ability to enforce our existing patents and to obtain and enforce patents that may issue from any pending or future patent applications is uncertain and involves complex legal, scientific and factual questions. To date, no consistent policy has emerged regarding the breadth of claims allowed in biotechnology and pharmaceutical patents. Thus, we cannot be sure that any patents will issue from any pending or future patent applications owned by or licensed to us. Even if patents do issue, we cannot be sure that the claims of these patents will be held valid or enforceable by a court of law, will provide us with any significant protection against competing products, or will afford us a commercial advantage over competitive products. If one or more products resulting from our product candidates is approved for sale by the FDA and we do not have adequate intellectual property protection for those products, competitors could duplicate them for approval and sale in the United States without repeating the extensive testing required of us or our partners to obtain FDA approval.

Known third party patent rights could delay or otherwise adversely affect our planned development and sale of PRO 140. We have identified but not exhaustively analyzed other patents that could relate to our proposed products.

We are aware of patent rights held by a third party that may cover certain compositions within our PRO 140 candidate. The patent holder has the right to prevent others from making, using, or selling a drug that incorporates the patented compositions, while the patent remains in force. While we believe that the third party s patent rights will not affect our planned development, regulatory clearance, and eventual marketing, commercial production, and sale of PRO 140, there can be no assurance that this will be the case. The relevant patent expires before we expect to commercially introduce PRO 140. In addition, the Hatch-Waxman exemption to U.S. patent law permits all uses of compounds in clinical trials and for other purposes reasonably related to obtaining FDA clearance of drugs that will be sold only after patent expiration, so our use of PRO 140 in those FDA-related activities does not infringe the patent holder s rights. However, were the patent holder to assert its rights against us before expiration of the patent for

activities unrelated to FDA clearance, the development and ultimate sale of a PRO 140 product could be significantly delayed, and we could incur the expense of defending a patent infringement suit and potential liability for damages for periods prior to the patent s expiration.

In connection with our acquisition of rights to PRO 140, our patent counsel conducted a freedom-to-operate search that identified other patents that could relate to our proposed PRO 140 candidate. Sufficient research and analysis was conducted to enable us to reach the conclusion that PRO 140 likely does not infringe those patent rights. However, we did not have an exhaustive analysis conducted as to the identified patent rights, because doing so would have been more costly than appeared to be justified. If any of the holders of the identified patents were to assert patent rights against us, the development and sale of PRO 140 could be delayed, we could be required to spend time and money defending patent litigation, and we could incur liability for infringement or be enjoined from producing our products if the patent holders prevailed in an infringement suit.

If we are sued for infringing on third-party intellectual property rights, it will be costly and time-consuming, and an unfavorable outcome would have a significant adverse effect on our business.

Our ability to commercialize our product candidates depends on our ability to use, manufacture and sell those products without infringing the patents or other proprietary rights of third parties. Numerous U.S. and foreign issued patents and pending

patent applications owned by third parties exist in the monoclonal antibody therapeutic area in which we are developing product candidates and seeking new potential product candidates. There may be existing patents, unknown to us, on which our activities with our product candidates could infringe.

If a third party claims that our actions infringe on its patents or other proprietary rights, we could face a number of issues that could seriously harm our competitive position, including, but not limited to:

- infringement and other intellectual property claims that, even if meritless, can be costly and time-consuming, delay the regulatory approval process and divert management s attention from our core business operations;
- substantial damages for infringement, if a court determines that our products or technologies infringe a third party s patent or other proprietary rights;
- a court prohibiting us from selling or licensing our products or technologies unless the holder licenses the patent or other proprietary rights to us, which it is not required to do; and
- even if a license is available from a holder, we may have to pay substantial royalties or grant cross-licenses to our patents or other proprietary rights.

If any of these events occur, it could significantly harm our operations and financial condition and negatively affect our stock price.

We may undertake infringement or other legal proceedings against third parties, causing us to spend substantial resources on litigation and exposing our own intellectual property portfolio to challenge.

We may come to believe that third parties are infringing on our patents or other proprietary rights. To prevent infringement or unauthorized use, we may need to file infringement and/or misappropriation suits, which are very expensive and time-consuming and would distract management s attention. Also, in an infringement or misappropriation proceeding a court may decide that one or more of our patents is invalid, unenforceable, or both, in which case third parties may be able to use our technology without paying license fees or royalties. Even if the validity of our patents is upheld, a court may refuse to stop the other party from using the technology at issue on the ground that the other party s activities are not covered by our patents.

We may become involved in disputes with our present or future contract partners over intellectual property ownership or other matters, which would have a significant effect on our business.

Inventions discovered in the course of performance of contracts with third parties may become jointly owned by our strategic partners and us, in some cases, and the exclusive property of one of us, in other cases. Under some circumstances, it may be difficult to determine who owns a particular invention or whether it is jointly owned, and disputes could arise regarding ownership or use of those inventions. Other disputes may also arise relating to the performance or alleged breach of our agreements with third parties. Any disputes could be costly and time-consuming, and an unfavorable outcome could have a significant adverse effect on our business.

We are subject to the oversight of the SEC and other regulatory agencies. Investigations by those agencies could divert management s focus and could have a material adverse effect on our reputation and financial condition.

We are subject to the regulation and oversight of the SEC and state regulatory agencies, in addition to the FDA. As a result, we may face legal or administrative proceedings by these agencies. We are unable to predict the effect of any investigations on our business, financial condition or reputation. In addition, publicity surrounding any investigation, even if ultimately resolved in our favor, could have a material adverse effect on our business.

Our auditors have issued a going concern opinion, and we will not be able to achieve our objectives and will have to cease operations if we cannot adequately fund our operations.

Our auditors issued a going concern opinion in connection with the audit of our annual financial statements for the fiscal year ended May 31, 2015. A going concern opinion means that there is substantial doubt that the company can continue as an ongoing business for the next 12 months. If we are unable to continue as a going concern, we might have to liquidate our assets and the values we receive for our assets in liquidation or dissolution could be significantly lower than the values reflected in our financial statements. In addition, the inclusion of an explanatory paragraph regarding substantial doubt about our ability to continue as a going concern and our lack of cash resources may materially adversely affect our share price and our ability to raise new capital or to enter into critical contractual relations with third parties. There is no assurance that we will be able to adequately fund our operations in the future.

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Risks Relating to Our Common Stock

The significant number of common shares issuable upon conversion of outstanding notes and exercise of outstanding common stock options and warrants could adversely affect the trading price of our common shares.

If our existing stockholders sell, or indicate an intent to sell, substantial amounts of our common stock in the public market, the trading price of our common stock could decline significantly. In addition, as of August 14, 2015, we have 5,981,158 shares subject to outstanding options under our stock option plans, 1,754,930 shares reserved for future issuance under our equity compensation plan, 34,022,778 shares issuable upon exercise of outstanding warrants and 5,374,706 shares issuable upon conversion of our outstanding notes. If our existing stockholders sell substantial amounts of our common stock in the public market, or if the public perceives that such sales could occur, this could have an adverse impact on the market price of our common stock, even if there is no relationship between such sales and the performance of our business.

The market price for our common shares has been and is likely to continue to be volatile.

The market price for our common shares has been and is likely to continue to be volatile. The volatile nature of our common share price may cause investment losses for our shareholders. In addition, the market price of stock in small capitalization biotech companies is often driven by investor sentiment, expectation and perception, all of which may be independent of fundamental valuation metrics or traditional financial performance metrics, thereby exacerbating volatility. In addition, our common shares are quoted on the OTCQB of the OTC Markets marketplace, which may increase price quotation volatility and could limit liquidity, all of which may adversely affect the market price of our shares.

We do not expect any cash dividends to be paid on our shares in the foreseeable future.

We have never declared or paid a cash dividend and we do not anticipate declaring or paying dividends for the foreseeable future. We expect to use future financing proceeds and earnings, if any, to fund operating expenses. Consequently, shareholders only opportunity to achieve a return on their investment is if the price of our stock appreciates and they sell their shares at a profit. We cannot assure shareholders of a positive return on their investment when they sell their shares or that shareholders will not lose the entire amount of their investment.

If the beneficial ownership of our stock continues to be highly concentrated, it may prevent you and other shareholders from influencing significant corporate decisions.

Our significant shareholders may exercise substantial influence over the outcome of corporate actions requiring shareholder approval, including the election of directors, any merger, consolidation or sale of all or substantially all of our assets, or any other significant corporate transactions. These shareholders may also vote against a change of control, even if such a change of control would benefit our other shareholders. See Stock Ownership by Principal Shareholders and Management below.

Our common shares are classified as penny stock and trading of our shares may be restricted by the SEC s penny stock regulations.

Rules 15g-1 through 15g-9 promulgated under the Securities Exchange Act of 1934 (the Exchange Act) impose sales practice and disclosure requirements on certain brokers-dealers who engage in transactions involving a penny stock. The SEC has adopted regulations which generally define penny stock to be any equity security that has a market price of less than $5.00 per share or an exercise price of less than $5.00 per share, subject to certain exceptions. Our

common shares are covered by the penny stock rules, which impose additional sales practice requirements on broker-dealers who sell to persons other than established customers and accredited investors. The penny stock rules require a broker-dealer, prior to a transaction in a penny stock not otherwise exempt from the rules, to deliver a standardized risk disclosure document in a form prepared by the SEC which provides information about penny stocks and the nature and level of risks in the penny stock market. The broker-dealer also must provide the customer with current bid and offer quotations for the penny stock, the compensation of the broker-dealer and its salesperson in the transaction, and monthly account statements showing the market value of each penny stock held in the customer s account. In addition, the penny stock rules require that, prior to a transaction in a penny stock that is not otherwise exempt, the broker-dealer must make a special written determination that the penny stock is a suitable investment for the purchaser and receive the purchaser s written agreement to the transaction. These disclosure requirements may have the effect of reducing the level of trading activity in the secondary market for stock that is subject to these penny stock rules. Consequently, these penny stock rules may affect the ability of broker-dealers to trade our securities. We believe that the penny stock rules may discourage investor interest in and limit the marketability of our common shares.

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Future sales of our securities could adversely affect the market price of our common stock and our future capital-raising activities could involve the issuance of equity securities, which would dilute your investment and could result in a decline in the trading price of our common stock.

We may sell securities in the public or private equity markets if and when conditions are favorable, or at prices per share below the current market price of our common stock, even if we do not have an immediate need for additional capital at that time. Sales of substantial amounts of shares of our common stock, or the perception that such sales could occur, could adversely affect the prevailing market price of our shares and our ability to raise capital. We may issue additional shares of common stock in future financing transactions or as incentive compensation for our executive management and other key personnel, consultants and advisors. Issuing any equity securities would be dilutive to the equity interests represented by our then-outstanding shares of common stock. Moreover, sales of substantial amounts of shares in the public market, or the perception that such sales could occur, may adversely affect the prevailing market price of our common stock and make it more difficult for us to raise additional capital.

Purchasers in this offering may experience immediate and substantial dilution.

The current trading price of the common stock that may be offered for resale pursuant to this prospectus is higher than the current net tangible book value per share of our common stock. Therefore, if you purchase shares of common stock in this offering, you may incur immediate and substantial dilution in the pro forma net tangible book value per share of common stock from the price per share that you pay for the common stock. In addition, you will experience dilution when we issue additional shares of common stock that we are permitted or required to issue under outstanding options and warrants and under our equity incentive plan or other compensation plans. Further, a significant portion of our outstanding promissory notes are convertible into common stock.

Our certificate of incorporation allows for our Board of Directors to create new series of preferred stock without further approval by our stockholders, which could adversely affect the rights of the holders of our common stock.

Our Board of Directors has the authority to fix and determine the relative rights and preferences of preferred stock. Currently our Board of Directors has the authority to designate and issue up to 4,600,000 shares of our preferred stock without further stockholder approval. As a result, our Board of Directors could authorize the issuance of a series of preferred stock that would grant to holders the preferred right to our assets upon liquidation, the right to receive dividend payments before dividends are distributed to the holders of common stock and the right to the redemption of the shares, together with a premium, prior to the redemption of our common stock. In addition, our Board of Directors could authorize the issuance of a series of preferred stock that has greater voting power than our common stock or that is convertible into our common stock, which could decrease the relative voting power of our common stock or result in dilution to our existing stockholders.

Anti-takeover provisions of our certificate of incorporation, our bylaws and Delaware law could make an acquisition of us, which may be beneficial to our stockholders, more difficult and may prevent attempts by our stockholders to replace or remove the current members of our Board of Directors and management.

Certain provisions of our amended and restated certificate of incorporation and bylaws could discourage, delay or prevent a merger, acquisition or other change of control that stockholders may consider favorable, including transactions in which stockholders might otherwise receive a premium for shares of common stock. Furthermore, these provisions could prevent or frustrate attempts by our stockholders to replace or remove members of our Board of Directors. These provisions also could limit the price that investors might be willing to pay in the future for our common stock, thereby depressing the market price of our common stock. Stockholders who wish to participate in these transactions may not have the opportunity to do so. Among other things, these provisions:

allow us to designate and issue shares of preferred stock, without stockholder approval, that could adversely affect the rights, preferences and privileges of the holders of our common stock and could make it more difficult or less economically beneficial to acquire or seek to acquire us.

provide that special meetings of stockholders may be called only by the Board of Directors acting pursuant to a resolution approved by the affirmative majority of the entire Board of Directors.

provide that stockholders may, at a special stockholders meeting called for the purpose of removing directors, remove the entire Board of Directors or ay lesser number, but only with cause, by a majority vote of the shares entitled to vote at an election of directors.

do not include a provision for cumulative voting in the election of directors. Under cumulative voting, a minority stockholder holding a sufficient number of shares may be able to ensure the election of one or more directors. The absence of cumulative voting may have the effect of limiting the ability of minority stockholders to effect changes in our Board of Directors.

In addition, we are governed by the provisions of Section 203 of the Delaware General Corporation Law, which may, unless certain criteria are met, prohibit large stockholders, in particular those owning 15% or more of the voting rights on our common stock, from merging or combining with us for a prescribed period of time.

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USE OF PROCEEDS

We will receive no proceeds from the sale of shares of common stock by the selling shareholders.

A portion of the shares of common stock covered by this prospectus are issuable upon exercise of warrants issued to the selling shareholders. The exercise price of the Bridge Warrants is $0.50 per share; the exercise price of the Unit Warrants and Placement Agent Warrants is $0.75 per share; and the exercise price of Conversion Warrants is $1.00 per share. The exercise price and number of shares of common stock issuable upon exercise of the warrants may be adjusted in certain circumstances, including stock splits or dividends, mergers, or reclassifications or similar events. Upon any exercise of the warrants for cash, the selling shareholders will pay us the exercise price, and with respect to any exercising of the Unit Warrants, we will pay to our placement agent 6% of gross proceeds received upon exercise. The Placement Agent Warrants include a cashless exercise feature, while the other warrants do not. To the extent we receive proceeds from the cash exercise of outstanding warrants, we intend to use the proceeds for working capital and other general corporate purposes.

SELLING SHAREHOLDERS

The table below sets forth information concerning the resale of our shares by the selling shareholders. The selling shareholders acquired our securities in private placement transactions. The total number of common shares sold under this prospectus may be adjusted to reflect adjustments due to stock dividends, stock distributions, splits, combinations or recapitalizations with regard to the common stock and warrants. Unless otherwise stated below in the footnotes, to our knowledge, no selling shareholder, nor any affiliate of such shareholder: (i) has held any position or office with us during the three years prior to the date of this prospectus; or (ii) is a broker-dealer, or an affiliate of a broker-dealer.

The selling shareholders may exercise their warrants at any time in their sole discretion. Set forth below is the name of each selling shareholder and the amount and percentage of common stock owned by each (including shares which a shareholder has the right to acquire within 60 days, including upon exercise of options or warrants) prior to the offering, the shares to be sold in the offering, and the amount and percentage of common stock to be owned by each (including shares which a shareholder has the right to acquire within 60 days, including upon exercise of options or warrants) after the offering assuming all shares are sold. The footnotes provide information about persons who have voting and dispositive power with respect to shares held by the selling shareholders.

We have registered (a) 11,233,666 shares issuable upon exercise, at an exercise price of $0.75 per share, of warrants issued in a private placement, (b) 923,072 shares issuable upon exercise, at an exercise price of $0.50 per share, of warrants issued in a bridge financing transaction, (c) 4,860,092 shares issuable upon exercise, at an exercise price of $0.75 per share, of warrants originally issued to our placement agent, (d) 6,311,232 shares issuable upon exercise, at an exercise price of $1.00 per share, of warrants issued in connection with an offer to induce the conversion of outstanding promissory notes, (e) 197,307 shares issued upon the exercise of previously issued warrants, (f) 5,308,040 shares issuable upon the conversion of promissory notes issued in a private placement transaction, (g) 1,061,586 shares issuable upon exercise, at an exercise price of $0.75 per share, of warrants issued in the private placement transaction, and (h) 530,802 shares issuable upon exercise, at an exercise price of $0.75 per share, of a warrant issued to our placement agent for the private placement transaction.

The following table is based on information provided to us by the selling shareholders and is as of August 14, 2015. The selling shareholders may sell all or some of the shares of common stock they are offering, and may sell unless indicated otherwise in the footnotes below shares of our common stock otherwise than pursuant to this prospectus. The tables below assume that each selling shareholder sells all of the shares offered by it in offerings pursuant to this prospectus, and does not acquire any additional shares. We are unable to determine the exact number of shares that

will actually be sold or when or if these sales will occur.

Name of Selling Securityholder	Shares Beneficially Owned Pre-Offering (1)	% Owned Pre-Offering (2)	Shares Being Registered: Promissory Note Shares (3)	Shares Being Registered: Warrant Shares (4)	Number of Shares Post-Offering	% of Shares Post-Offering (2)
3NT Management, LLC (5)	1,300,000	1.6%		900,000	400,000	*
3530 Partnership	39,999	*	33,333	6,666		*
AAR Account Family Limited Partnership (6)	84,055	*		84,055		*
Alan Jacqueline Reed Family Trust B (7)	17,028	*		17,028		*
Alpha Venture Capital Partners, LP (8)	9,893,832	12.3%		1,047,850	8,845,982	10.9%
Alvine, Robert	34,055	*		34,055		*

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Name of Selling Securityholder	Shares Beneficially Owned Pre-Offering (1)	% Owned Pre-Offering (2)	Shares Being Registered: Promissory Note Shares (3)	Shares Being Registered: Warrant Shares (4)	Number of Shares Post-Offering	% of Shares Post-Offering (2)
Anderson, Noah	659,998	*	133,333	26,666	499,999	*
Anthony & Angela Reed Family Trust (9)	145,028	*	65,000	80,028		*
Bakal, Gil	80,433	*		26,811	53,622	*
Bannister, Peter D.	102,165	*		34,055	68,110	*
Bartley, Mary	50,000	*		50,000		*
Blazier, John C. and Fleur Christensen	16,766	*		16,766		*
Bledsoe, Drew	17,028	*		17,028		*
Bogin, Vlad	279,998	*	66,666	13,333	199,999	*
Bolt, William	111,999	*	93,333	18,666		*
Bonazzola, Michael F.	20,433	*		6,811	13,622	*
Bordon, Craig (10)	1,732,166	2.2%		305,167	1,426,999	1.8%
Brill, Andrew	100,000	*		100,000		*
Brotherton, Michael	30,000	*		10,000	20,000	*
Bumgarner, William	204,330	*		68,110	136,220	*
Burnidge, David	5,239	*		5,239		*
Caisson Breakwater Global Opportunity Fund, LP	1,279,999	1.6%	400,000	80,000	799,999	1.0%
Calcott Family Trust	39,999	*	33,333	6,666		*
Callaham & Callaham	216,667	*		216,667		*
Callaham, C. David and Lisa (11)	2,290,512	2.8%		1,319,059	971,453	1.2%
Callaham, George	183,333	*		183,333		*
Candy D Azevedo Trust under Pauline Howard Trust 01/02/1998	39,999	*	33,333	6,666		*
Cannella, Philip M.	64,999	*	33,333	31,666		*
Carmona, Adolfo and Donna	168,110	*		168,110		*
Cedric A. and Margaret E. Veum Living Trust (12)	309,930	*		68,110	241,820	*
Christeson, Curt A.	10,478	*		10,478		*
Cohen, Alan and Susan	34,055	*		34,055		*

Cohen, Eran	138,028	*	80,000	58,028		*
Cohen, Marc A.	154,988	*		27,244	127,744	*
Collins, Steven	150,000	*		50,000	100,000	*
Cooper, Donald M.	408,663	*		136,221	272,442	*
Costigan, William	103,845	*		34,615	69,230	*
Cowgill, Nancy	179,998	*	66,666	13,333	99,999	*
Czar Ventures, LLC	179,998	*	66,666	13,333	99,999	*
Dalton, Abby	34,683	*		34,683		*

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Name of Selling Securityholder	Shares Beneficially Owned Pre-Offering (1)	% Owned Pre-Offering (2)	Shares Being Registered: Promissory Note Shares (3)	Shares Being Registered: Warrant Shares (4)	Number of Shares Post-Offering	% of Shares Post-Offering (2)
Dent, David A.	204,330	*		68,110	136,220	*
Double Add Investments LLC (13)	23,076	*		7,692	15,384	*
Due Mondi Investments, LTD (14)	57,691	*		19,231	38,460	*
Dugas, Michael J.	115,500	*		38,500	77,000	*
DuMont, Philippe and Celia Tavares	130,000	*		130,000		*
Dynamite Investment LLC (15)	251,484	*		251,484		*
Eisenberg, Thomas	51,448	*		34,782	16,666	*
Emily W. Sunstein Residuary Marital Trust U/D dtd 1/1/96 as amended and restated on 12/15/01 & further amended (16)	200,000	*		200,000		*
Esson, William	120,000	*		40,000	80,000	*
Farswani, Yogesh C.	51,084	*		17,028	34,056	*
Fattah, Ismail Abdul	755,677	*		755,677		*
First Premier Bank, Custodian of Marilyn R. Huether IRA (17)	57,693	*		19,231	38,462	*
Fishback, Keith & Jeanne	198,459	*	133,333	45,896	19,230	*
Fishman, Michael	60,000	*		20,000	40,000	*
Florence K. Simons Family Trust (18)	17,028	*		17,028		*
Franklin, Morris	19,230	*		19,230		*
Fred & Betty Bialek Revocable Trust dated 12/20/2004 (19)	318,070	*	40,000	76,357	201,713	*
G & D Conniff LLC	226,664	*	133,332	26,666	66,666	*
Gabriel, Allen	239,998	*	66,666	33,333	139,999	*
Ganmukhi, Mahesh	272,440	*		136,220	136,220	*
Garst, Blaine	1,200,000	1.5%		400,000	800,000	1.0%

Gelles, Keith	168,000	*	140,000	28,000		*
Gingold, Pamela	51,084	*		17,028	34,056	*
Goff VC Fund CD LLC (20)	93,783	*		93,783		*
Gosney, Elden R.	107,588	*		26,196	81,392	*
Gould, Peter	150,000	*		50,000	100,000	*
Greenberg, Marvin	39,999	*	33,333	6,666		*
Gruber, Thomas	420,000	*		140,000	280,000	*
Gustafsson, Per	102,165	*		34,055	68,110	*
Gutek, Christopher P.	73,332	*	33,333	6,666	33,333	*
Haider, Amer	68,110	*		68,110		*
Halpern, Brian A.	39,999	*	33,333	6,666		*
Hamerton-Kelly, Paul	63,999	*	53,333	10,666		*
Hanlon, Noma	39,999	*	33,333	6,666		*

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Name of Selling Securityholder	Shares Beneficially Owned Pre-Offering (1)	% Owned Pre-Offering (2)	Shares Being Registered Promissory Note Shares (3)	Warrant Shares (4)	Number of Shares Post-Offering	% of Shares Post-Offering (2)
Hanson, Steven F. (54)	1,108,990	1.4%		525,641	583,349	*
Hassan, Sam	597,515	*		186,667	410,848	*
Hermann, Christopher R.	78,588	*		26,196	52,392	*
Hoag, Peggy	52,564	*		19,231	33,333	*
Honig, Barry	76,923	*		76,923		*
Hunse Investments, LP (21)	89,999	*	33,333	56,666		*
Hunt, Bill	79,999	*	66,666	13,333		*
Hustead, Marjorie	57,693	*		19,231	38,462	*
Hustead, Theodore H. (22)	91,025	*		52,563	38,462	*
Hutt, Howard C.	377,165	*		302,165	75,000	*
IEB Associates LLC (23)	69,230	*		69,230		*
Inglis, Bruce P. and Nancy M. JTWROS	60,000	*	50,000	10,000		*
JAK Investment Partners, LLC (24)	192,307	*		192,307		*
Joan Rich Baer Inc. Pension Plan & Trust (25)	102,165	*		34,055	68,110	*
Joe N. & Jamie W. Behrendt Revocable Trust (26)	124,055	*		84,055	40,000	*
Johnson Jr., Charles M.	159,999	*	133,333	26,666		*
Joseph Chulick III Revocable Living Trust dtd 7/27/2011 (27)	38,461	*		38,461		*
Kanelstein, Debra	197,027	*	66,666	55,361	75,000	*
Kantor, Robert (28)	231,764	*		231,764		*
Karp, Bradley C. and Belinda	359,998	*	133,333	26,666	199,999	*
Kaul, Pradeep	68,110	*		68,110		*
Khan, Tahir A.	17,028	*		17,028		*
King, Gordon D. and Jeanne K.	77,000	*		38,500	38,500	*
Klein, Michael	48,000	*	40,000	8,000		*
Koff Living Trust (29)	15,384	*		15,384		*
Korsgaard, Brett	13,098	*		13,098		*

Kupferberg, Martin	79,999	*	66,666	13,333		*
Kurmann, Christian	600,000	*		200,000	400,000	*
LRFA, LLC (30)	300,000	*		100,000	200,000	*
Langsdorf, Michael	733,333	*		733,333		*
Lawrence E. Coffman Living Trust Dtd 1/9/92 (31)	77,646	*		25,882	51,764	*
Lechter, Andrew	179,998	*	66,666	13,333	99,999	*
Lee J. Seidler Revocable Trust dtd April 12, 2009	79,999	*	66,666	13,333		*
Lesser, Stephen	206,083	*	66,666	55,361	84,056	*

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Name of Selling Securityholder	Shares Beneficially Owned Pre-Offering (1)	% Owned Pre-Offering (2)	Shares Being Registered: Promissory Note Shares (3)	Shares Being Registered: Warrant Shares (4)	Number of Shares Post-Offering	% of Shares Post-Offering (2)
Leto, Richard	60,000	*	50,000	10,000		*
Levine, Gary W.	39,999	*	33,333	6,666		*
Lile-Duzsik, Barbara	40,866	*		13,622	27,244	*
Lockwood, Kathleen	17,028	*		17,028		*
Longjean GMBH (32)	136,210	*		136,210		*
Luray Circus LLC	79,999	*	66,666	13,333		*
Lymburner, Francis (33)	493,966	*		493,966		*
Mader, Charles	39,999	*	33,333	6,666		*
Magdlen, Frank	23,100	*		7,700	15,400	*
Maiorano, Dominick	19,231	*		19,231		*
Mandich, Mitchell	359,998	*	133,333	60,721	165,944	*
Mansur, Austin	42,028	*		42,028		*
Manzi, Joseph O.	344,055	*		134,055	210,000	*
Marano, Veronica and Thomas M. Volckening	345,000	*	100,000	20,000	225,000	*
Martin, Robert T.	115,386	*		38,462	76,924	*
McBride, Gerald	68,110	*		68,110		*
McCoy, Katherine B.	70,731	*		23,577	47,154	*
McDevitt, Michael	450,000	*		150,000	300,000	*
Menayas, Emannuel and Cheryl	39,999	*	33,333	6,666		*
Milam, Terry D. and Amy Lynne	31,437	*		10,479	20,958	*
Millennium Trust Co., CUST FBO John Saefke IRA	39,999	*	33,333	6,666		*
Millennium Trust Company LLC Custodian FBO Nancy S. Niederman IRA (34)	115,383	*		38,461	76,922	*
Miller, Chris H.	40,866	*		13,622	27,244	*
Miller, Sheldon (35)	1,137,049	1.4%		633,202	503,847	*
Minkin, Mark	229,194	*	66,666	162,528		*

MIS Equity Strategies, L.P. (36)	290,055	*	130,000	160,055		*
Mungle, Kevin Lee	151,705	*		75,000	76,705	*
Nichols, Gordon	67,378	*		33,333	34,045	*
Nowlin, Daniel	180,000	*		20,000	160,000	*
Ordian Limited (37)	34,045	*		34,045		*
Osprey I, LLC	219,997	*	99,999	19,999	99,999	*
Panayotou, Nick	1,326,667	1.7%		426,667	900,000	1.1%
Parikh, Nirav S. & Kavita G.	39,999	*	33,333	6,666		*
Parikh, Shashikant V.	39,999	*	33,333	6,666		*

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Name of Selling Securityholder	Shares Beneficially Owned Pre-Offering (1)	% Owned Pre-Offering (2)	Shares Being Registered: Promissory Note Shares (3)	Shares Being Registered: Warrant Shares (4)	Number of Shares Post-Offering	% of Shares Post-Offering (2)
Paskewitz, Bradford	102,165	*	102,165			*
Patel, Ashok and Harshida Patel	27,089	*	27,089			*
Paulson Investment Company LLC (38)	1,117,815	1.4%	1,117,815			*
Aksenov, Dmitry (39)	1,000	*	1,000			*
Basil, Christakos (39)	5,000	*	5,000			*
Bledsoe, Adam (39)	1,508	*	1,508			*
Bostelman, Robert (39)	17,436	*	17,436			*
Clark, Brady (39)	1,508	*	1,508			*
Clark, Chris (39)	935,668	*	935,668			*
Cohen, Larry (39)	39,552	*	39,552			*
Crowe, Byron (39)	22,391	*	22,391			*
Davis, Trent (39)	254,708	*	254,708			*
Finkle, Mark (39)	122,362	*	122,362			*
Fogarty, Peter (39)	20,775	*	20,775			*
Gheith, Ahmed (39)	3,667	*	3,667			*
Goff, Starla (39)	20,947	*	20,947			*
Graetz, Kevin (39)	367,272	*	367,272			*
Hagen, Bryan (39)	7,500	*	7,500			*
Harelik, Edmund (39)	450	*	450			*
Harelik, Harry (39)	450	*	450			*
Hede, Joe (39)	380,553	*	380,553			*
Janssen, Morgan (39)	1,000	*	1,000			*
Kiresborn, Christian (39)	1,500	*	1,500			*
Landstrom, Albert (39)	19,012	*	19,012			*
Maxfield, Lorraine (39)	71,000	*	71,000			*
Nelson, Jon (39)	6,221	*	6,221			*
Parigian, Tom (39)	934,543	*	934,543			*
Pedersen, Bill (39)	3,250	*	3,250			*

Saccaro, Gary (39)	67,121	*	67,121	*
Schadewitz, Connie (39)	17,799	*	17,799	*
Setteducati, Robert (39)	934,543	*	934,543	*
Seyffer, Brad (39)	1,042	*	1,042	*
Smith, Clint (39)	2,855	*	2,855	*
Touloukian, Tim (39)	6,200	*	6,200	*
Tung, Ken (39)	1,748	*	1,748	*
Wanek, Don (39)	2,500	*	2,500	*

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Name of Selling Securityholder	Shares Beneficially Owned Pre-Offering (1)	% Owned Pre-Offering (2)	Shares Being Registered: Promissory Note Shares (3)	Shares Being Registered: Warrant Shares (4)	Number of Shares Post-Offering	% of Shares Post-Offering (2)
Ponticiello, Guy	25,404	*		25,404		*
Prieur C. James & Karen A. Prieur JTWROS	293,331	*	133,332	26,666	133,333	*
Ragan, Dale G. (40)	314,100	*		314,100		*
Rajaee Family Trust dated 10/10/03 (41)	193,972	*		64,658	129,314	*
Rajaee Trust dated 4/23/99 (42)	2,086,360	*		1,541,238	545,122	*
Ramsey, Roger A.	129,999	*	66,666	63,333		*
RBC Capital Markets, LLC Cust FBO Eugene L. Tinker IRA (43)	39,294	*		13,098	26,196	*
RBC Capital Markets, LLC Cust FBO Mr. Michael Klein IRA	179,998	*	66,666	13,333	99,999	*
RBC Capital Markets, LLC Cust FBO William Paul Sterling IRA (44)	20,433	*		6,811	13,622	*
Reigel, Lyle (45)	231,764	*		231,764		*
Renaissance Interests, LP	319,999	*	266,666	53,333		*
Richmond, Howard	26,942	*		26,942		*
Rosenbaum, Paul	150,000	*		50,000	100,000	*
Rosenberg, Jacob	129,998	*	66,666	13,333	49,999	*
Rothstein, Steven	89,599	*	33,000	6,600	49,999	*
Rowe, Stanton J.	204,330	*		68,110	136,220	*
Russo, Francis	431,728	*	66,666	114,199	250,863	*
Sachnowitz, Lanny	13,622	*		13,622		*
Sadin, Art	334,054	*		134,055	199,999	*
Salter, Matthew L. and Therese M. Salter	102,165	*		34,055	68,110	*
Sapper, Wayne	52,980	*		6,549	46,431	*
Scheid, David P. and Carole A.	30,218	*		23,406	6,812	*

Scheid						
Schneider, David I.	10,505	*		10,505		*
Schon, Andrej	39,999	*	33,333	6,666		*
Schwering, James F.	120,000	*	100,000	20,000		*
Sego, Tom (46)	637,420	*		289,396	348,024	*
Selya, Emanuel	13,098	*		13,098		*
Seyburn, Bruce H.	337,663	*		68,110	269,553	*
Shaffer, Rebekah	39,999	*	33,333	6,666		*
Shalom Family 2003 IRR Trust (47)	68,110	*		68,110		*
Shumpert, Stephen R.	1,208,662	1.5%		336,221	872,441	1.1%
Sjodin, Gordon and Marie Beers Sjodin	204,330	*		68,110	136,220	*
Smith, Rex Randolph	5,239	*		5,239		*
Springer, Jr., Emerson Thomas	39,999	*	33,333	6,666		*

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Stagnitti, Jon and Melanie	40,080	*	33,400	6,680		*
Starr, Albert	150,000	*		50,000	100,000	*
Stein, Glen	165,382	*		38,461	126,921	*
Sterling, Brian	20,433	*		6,811	13,622	*
Stieb, Jackson W., Jr.	70,731	*		23,577	47,154	*
Stolarski, Anthony M.	23,612	*		23,612		*
Stone, Darrell K., II	115,384	*		38,462	76,922	*
Stone, Julie	115,386	*		38,462	76,924	*
Struve, Clayton A.	390,000	*	200,000	40,000	150,000	*
Swid, Stephen C. and Nan G. Swid	200,000	*		200,000		*
Sykes, William	70,000	*		35,000	35,000	*
Taicher, Robert	34,055	*		34,055		*
Takada, Hideo	200,000	*		200,000		*
Tanzosh, Brenna	57,693	*		19,231	38,462	*
Tasler, Dennis	52,393	*		52,393		*
The Bennett Yanowitz Credit Shelter Trust (48)	68,110	*		68,110		*
The Vassily I Dubenko and Vera Dubenko Family Trust (49)	57,691	*		19,231	38,460	*
The Vilmur Family Trust (50)	120,183	*		40,061	80,122	*
Thompson, Randall M. (51)	211,189	*		80,388	130,801	*
Tracy, Mitchell J.	79,999	*	66,666	13,333		*
Ufheil, David A.	300,000	*		100,000	200,000	*
Ullman Family Investments, LLC	159,999	*	133,333	26,666		*
van Nostrand, Richard Martin	79,999	*	66,666	13,333		*
Velcro, LLC	359,998	*	133,333	26,666	199,999	*
Vergopoulos, Alexander (52)	34,045	*		34,045		*

Vishlitzky, Natan & Miryam JTWROS	146,665	*	66,666	13,333	66,666	*
Wagner, John V.	179,998	*	66,666	13,333	99,999	*
Walker, John T.	154,677	*		51,559	103,118	*
Wallack, Russell K.	110,000	*		100,000	10,000	*
Walters, Timothy J.	39,294	*		13,098	26,196	*
Westerman, Wayne	83,055	*		27,685	55,370	*
Wharton, Ralph	105,896	*		19,230	86,666	*
Wierzba, James N. (53)	195,300	*		77,920	117,380	*
Wilson, George M.	126,084	*		42,028	84,056	*
Wiswall, Heather	57,691	*		19,231	38,460	*
Wray, Daniel X.	169,999	*	100,000	20,000	49,999	*

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Name of Selling Securityholder	Shares Beneficially Owned Pre-Offering (1)	% Owned Pre-Offering (2)	Shares Being Registered: Promissory Note Shares (3)	Shares Being Registered: Warrant Shares (4)	Number of Shares Post-Offering	% of Shares Post-Offering (2)
Yoon, Theodore C.	120,000	*	100,000	20,000		*
Zimmerman, Michael	34,055	*		34,055		*
Zokaei, Darob	13,622	*		13,622		*

* Represents less than 1%

(1) Pursuant to Rules 13d-3 and 13d-5 of the Exchange Act, beneficial ownership includes common shares as to which a shareholder has sole or shared voting power or investment power, and also any shares which the shareholder has the right to acquire within 60 days, including upon exercise of options or warrants.

(2) The percentages of beneficial ownership are based on 79,604,624 shares outstanding as of August 14, 2015, and assumes the issuance of all of the shares of common stock issuable upon exercise of outstanding warrants and/or conversion of convertible notes held by such selling stockholder.

(3) Promissory notes are convertible into shares of common stock and have a six-month term bearing interest at 7% per year and a conversion price of $0.75 per share. Maturity dates range from October 30, 2015 to November 15, 2015.

(4) Unless otherwise noted, warrants are exercisable at an exercise price of $0.75 per share, and expire five years from the date of issuance.

(5) Craig Bordon and Nickitas Panayotou share voting and dispositive power over these shares. Includes 300,000 shares of common stock directly held by 3NT Management LLC (3NT) and warrants held by 3NT that are exercisable for 1,000,000 shares of common stock.

(6) Andrew Roth, as the General Partner of AAR Accounts Family Limited Partnership, has voting and dispositive power over these shares.

(7) Alan A. Reed, as trustee of the Alan Jacqueline Reed Family Trust B, has voting and dispositive power over these shares.

(8) Carl C. Dockery, as manager of the General Partner of Alpha Venture Capital Partners, LP (AVCP), has voting and dispositive power over these shares, which includes: (i) 230,769 shares of common stock issued to Alpha Venture Capital Fund, L.P. in a private placement;

(ii) 7,243,740 shares of common stock held by AVCP; (iii) warrants held by AVCP covering 2,372,850 shares of common stock with exercises price ranging from $0.675 to $0.75 and expiration dates beginning October 23, 2018 to June 24, 2020 and (iv) stock options held by Mr. Dockery covering 46,473 shares of common stock with exercise prices ranging from $0.81 to $0.98 per share. See Related Person Transactions below.

(9) Anthony Michael Reed, as the trustee of the Anthony & Angela Reed Family Trust, has voting and dispositive power over these shares. Anthony Michael Reed is also the manager of the general partner of MIS Equity Strategies, L.P., and has voting and dispositive power over the shares held by MIS Equity Strategies, L.P. Anthony Michael Reed is an affiliate of Cova Capital, a broker-dealer. See note 35 below.

(10) Includes: (i) 77,000 shares of common stock directly held by Mr. Bordon; (ii) warrants held by Mr. Bordon that are exercisable for 355,167 shares of common stock; (iii) 300,000 shares of common stock directly held by 3NT; and (iv) warrants held by 3NT that are exercisable for 1,000,000 shares of common stock. See note 4 above and Related Person Transactions below.

(11) Includes (i) 104,786 shares of common stock directly held by Mr. Callaham; (ii) 60,000 shares of Series B Preferred Stock which are convertible into 600,000 shares of common stock; (iii) 50,000 shares of common stock subject to options held by Mr. Callaham; (iv) warrants held by Mr. Callaham covering 52,393 shares of common stock at an exercise price of $0.75 and 1,266,666 shares that are exercisable at $1.00 per share which expire in October 2015 and; and (vii) warrants held by Callaham & Callaham that are exercisable for 216,667 shares of common stock at an exercise price of $1.00 per share and expire in October 2015. See Related Person Transactions below.

(12) Cedric A. Veum and Margaret E. Veum, as co-trustees of the Cedric A. and Margaret E. Veum Living Trust, share voting and dispositive power over these shares.

(13) Adam Passaglia, as the manager of Double Add Investments LLC, has voting and dispositive power over these shares.

(14) Robert Beadle has voting and dispositive power over these shares.

(15) Dale G. Ragan, as the managing member of Dynamite Investment LLC, has voting and dispositive power over these shares. See note 39 below.

(16) Leon C. Sunstein, Jr., as trustee of the Emily W. Sunstein Residuary Marital Trust U/D dtd 1/1/96 as amended and restated on 12/15/01 & further amended, has voting and dispositive power over these shares.

(17) Mike Huether has voting and dispositive power over these shares.

(18) Florence K. Simons has voting and dispositive power over these shares.

(19) Fred B. Bialek, as the trustee of the Fred & Betty Bialek Revocable Trust dated 12/20/2004, has voting and dispositive power over these shares.

(20) Caroline Bombardier, as the managing member of Goff VC Fund CD, LLC, has voting and dispositive power over these shares.

(21) Tom Hunse and Denise Hunse share voting and dispositive power over these shares.

(22) The shares beneficially owned by Mr. Hustead include 38,462 shares owned by Mr. Hustead s wife.

(23) William Shalom has voting and dispositive power over these shares. See note 47 below.

(24) Joseph Krivulka has voting and dispositive power over these shares, which are issuable upon the exercise of Bridge Warrants at a price of $0.50 per share, expiring on July 31, 2016.

(25) Arthur B. Baer and Joan Rich Baer, as co-trustees of the Joan Rich Baer, Inc. Pension Plan & Trust, share voting and dispositive power over these shares.

(26) Joe N. Behrendt, as the trustee of the Joe N. & Jamie W. Behrendt Revocable Trust, has voting and dispositive power over these shares.

(27) Joseph Chulick III, as the trustee of the Joseph Chulick Revocable Living Trust u/a 7/27/2010, has voting and dispositive power over these shares.

(28) 115,384 of the warrants held by Mr. Kantor are Bridge Warrants exercisable at a price of $0.50 per share, expiring on July 31, 2016. Mr. Kantor is an affiliate of Time Equities Securities LLC, a broker-dealer.

(29)

Howard M. Koff, as the trustee of the Koff Living Trust, has voting and dispositive power over these shares. Howard M. Koff is an affiliate of M. Holdings Securities, Inc., a broker-dealer.

(30) David F. Welch, as President of LRFA, LLC, has voting and dispositive power over these shares.

(31) Lawrence E. Coffman, as trustee of the Lawrence E. Coffman Living Trust Dtd 1/9/92, has voting and dispositive power over these shares.

(32) Francis C. Calame Longjean, as the manager of Longjean GMBH, has voting and dispositive power over these shares.

(33) 192,307 of the warrants held by Mr. Lymburner are Bridge Warrants exercisable at a price of $0.50 per share, expiring on July 31, 2016.

(34) Nancy S. Niederman has voting and dispositive power over these shares.

(35) 96,153 of the warrants held by Mr. Miller are Bridge Warrants exercisable at a price of $0.50 per share, expiring on July 31, 2016. The shares beneficially owned by Mr. Miller include 25,000 shares held in trusts for his grandchildren.

(36) Anthony Michael Reed, as the manager of the general partner of MIS Equity Strategies, L.P., has voting and dispositive power over these shares. See note 8 above.

(37) Alexander Vergopoulos has voting and dispositive power over these shares. See note 52 below.

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(38) Trent Davis, as the Chief Executive Officer of Paulson Investment Company LLC, a broker-dealer registered with the SEC and member of FINRA, has voting and dispositive power over these shares. We retained Paulson Investment Company LLC to act as placement agent with respect to the Bridge Notes, related warrants, and offering of the Units. See Prospectus Summary- The Transactions for additional information. Paulson Investment Company is an underwriter with respect to the shares it is offering for resale. The warrant expires seven years from date of issuance.
(39) Individual is an officer, employee, or consultant to Paulson Investment Company, and was assigned the listed warrants by Paulson as part of his or her compensation. The warrant expires seven years from date of issuance.
(40) 76,923 of the warrants held by Mr. Ragan are Bridge Warrants exercisable at a price of $0.50 per share, expiring on July 31, 2016. 80,000 of the warrants held by Mr. Ragan are exercisable at a price of $0.75 per share, expiring on October 23, 2018. See note 14 above.
(41) Behrouz Rajaee has voting and dispositive power over these shares. Mr. Rajaee also holds 66,114 shares in his personal IRA account.
(42) Behrouz Rajaee has voting and dispositive power over these shares. Mr. Rajaee also holds 66,114 shares in his personal IRA account.
(43) Eugene L. Tinker has voting and dispositive power over these shares.
(44) William Paul Sterling has voting and dispositive power over these shares.
(45) 115,384 of the warrants held by Mr. Reigel are Bridge Warrants exercisable at a price of $0.50 per share, expiring on July 31, 2016.
(46) 115,384 of the warrants held by Mr. Sego are Bridge Warrants exercisable at a price of $0.50 per share, expiring on July 31, 2016.
(47) William Shalom, as trustee of the Shalom Family 2003 IRR Trust, has voting and dispositive power over these shares. See note 22 above.
(48) Alan Yanowitz, as trustee of The Bennett Yanowitz Credit Shelter Trust, has voting and dispositive power over these shares.
(49) Vassily I. Dubenko and Sonia Beecher, as co-trustees of The Vassily I. Dubenko and Vera Dubenko Family Trust, share voting and dispositive power over these shares.
(50) Roger M. Vilmur, as trustee of The Vilmur Family Trust, has voting and dispositive power over these shares.
(51) Randall M. Thompson is an affiliate of Lincoln Financial Advisers Corporation, a broker-dealer.
(52) Mr. Vergopoulos beneficial ownership includes shares and warrants held by Ordian Limited. See note 36 above.
(53) 19,230 of the warrants held by Mr. Wierzba are Bridge Warrants exercisable at a price of $0.50 per share, expiring on July 31, 2016.
(54) Represents 525,641 shares issued upon the inducement to exercise warrants related to previously converted or repaid notes.

PLAN OF DISTRIBUTION

The selling shareholders, which for this purpose includes donees, pledgees, transferees or other successors-in-interest selling shares of common stock or interests in shares of common stock received after the date of this prospectus from a selling shareholder as a gift, pledge, dividend, distribution or other transfer, may, from time to time, sell, transfer or otherwise dispose of any or all of their shares of common stock or interests in shares of common stock on any stock exchange, market or trading facility on which the shares are traded, or in private transactions. These sales or other dispositions may be at fixed prices, at prevailing market prices at the time of sale, at prices related to the prevailing market price, at varying prices determined at the time of sale, or at negotiated prices.

The selling shareholders may use any one or more of the following methods when selling our shares or interests in our shares:

ordinary brokerage transactions and transactions in which the broker-dealer solicits purchasers;

block trades in which a broker-dealer will attempt to sell the shares as agent, but may position and resell a portion of the block as principal to facilitate the transaction;

purchases by a broker-dealer as principal and resale by the broker-dealer for its account;

on any national securities exchange or quotation service on which the shares may be listed or quoted at the time of sale;

privately negotiated transactions;

short sales effected after the date the registration statement of which this prospectus is a part is declared effective by the SEC;

through the writing or settlement of options or other hedging transactions, whether through an options exchange or otherwise;

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broker-dealers may agree with the selling shareholders to sell a specified number of such shares at a stipulated price per share;

a combination of any such methods of sale; and

any other method permitted by applicable law.

The selling shareholders may, from time to time, pledge or grant a security interest in some or all of our shares owned by them and, if they default in the performance of their secured obligations, the pledgees or secured parties may offer and sell the shares of common stock, from time to time, under this prospectus, or under an amendment to this prospectus under Rule 424(b)(3) or other applicable provision of the Securities Act amending the list of selling shareholders to include the pledgee, transferee or other successors in interest as selling shareholders under this prospectus. The selling shareholders may also transfer our shares in other circumstances, in which case the transferees, pledgees or other successors will be the selling beneficial owners for purposes of this prospectus.

In connection with the sale of our common shares or interests therein, the selling shareholders may enter into hedging transactions with broker-dealers or other financial institutions, which may in turn engage in short sales of our shares in the course of hedging the positions they assume. The selling shareholders may also sell shares of our common stock short and deliver these securities to close out their short positions, or loan or pledge the common stock to broker-dealers that in turn may sell these securities. The selling shareholders may also enter into option or other transactions with broker-dealers or other financial institutions or the creation of one or more derivative securities which require the delivery to such broker-dealer or other financial institution of shares offered by this prospectus, which shares such broker-dealer or other financial institution may resell pursuant to this prospectus (as supplemented or amended to reflect such transaction).

The aggregate proceeds to the selling shareholders from the sale of the common stock offered by them will be the purchase price of the common stock less discounts or commissions, if any. Each of the selling shareholders reserves the right to accept and, together with their agents from time to time, to reject, in whole or in part, any proposed purchase of common stock to be made directly or through agents. We will not receive any of the proceeds from sales of shares by the selling shareholders.

The selling shareholders may also resell all or a portion of the shares in open market transactions in reliance upon Rule 144 under the Securities Act, provided that they meet the criteria and conform to the requirements of that rule, or under Section 4(1) of the Securities Act, if available, rather than by means of this prospectus.

In connection with the sale of shares of common stock covered by this prospectus, broker-dealers may receive commissions or other compensation from a selling shareholder in the form of commissions, discounts or concessions. Broker-dealers may also receive compensation from purchasers of the shares of common stock for whom they act as agents or to whom they sell as principals or both. Compensation as to a particular broker-dealer may be in excess of customary commissions or in amounts to be negotiated. In connection with any underwritten offering, underwriters may receive compensation in the form of discounts, concessions or commissions from a selling shareholder or from purchasers of the shares for whom they act as agents. Underwriters may sell the shares of common stock to or through dealers, and such dealers may receive compensation in the form of discounts, concessions or commissions from the underwriters and/or commissions from the purchasers for whom they may act as agents. Any underwriters, broker-dealers, agents or other persons acting on behalf of a selling shareholder that participate in the distribution of the shares of common stock may be deemed to be underwriters within the meaning of the Securities Act, and any profit on the sale of the shares of common stock by them and any discounts, commissions or concessions received by

any of those underwriters, broker-dealers, agents or other persons may be deemed to be underwriting discounts and commissions under the Securities Act. The aggregate amount of compensation in the form of underwriting discounts, concessions, commissions or fees and any profit on the resale of shares by the selling shareholders that may be deemed to be underwriting compensation pursuant to Financial Industry Regulatory Authority, Inc., rules and regulations will not exceed applicable limits.

The selling shareholders and any underwriters, broker-dealers or agents that participate in the sale of the common stock or interests therein may be underwriters within the meaning of Section 2(11) of the Securities Act. Any discounts, commissions, concessions or profit they earn on any resale of the shares may be underwriting discounts and commissions under the Securities Act. Selling shareholders who are underwriters within the meaning of Section 2(11) of the Securities Act will be subject to the prospectus delivery requirements of the Securities Act and may be subject to certain statutory liabilities, including but not limited to, Sections 11, 12 and 17 of the Securities Act and Rule 10b-5 under the Exchange Act.

To the extent required, the shares of our common stock to be sold, the names of the selling shareholders, the respective purchase prices and public offering prices, the names of any agent, dealer or underwriter, and any applicable commissions or discounts with respect to a particular offer will be set forth in an accompanying prospectus supplement or, if appropriate, a post-effective amendment to the registration statement that includes this prospectus.

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In order to comply with the securities laws of some states, if applicable, the common stock may be sold in these jurisdictions only through registered or licensed brokers or dealers. In addition, in some states the common stock may not be sold unless it has been registered or qualified for sale or an exemption from registration or qualification requirements is available and is complied with.

We have advised the selling shareholders that the anti-manipulation rules of Regulation M under the Exchange Act may apply to sales of shares in the market and to the activities of the selling shareholders and their affiliates. In addition, to the extent applicable, we will make copies of this prospectus (as it may be supplemented or amended from time to time) available to the selling shareholders for the purpose of satisfying the prospectus delivery requirements of the Securities Act. The selling shareholders may indemnify any broker-dealer that participates in transactions involving the sale of the shares against certain liabilities, including liabilities arising under the Securities Act. All of the foregoing may affect the marketability of the common stock and the ability of any person or entity to engage in market-making activities with respect to our common stock.

We will pay all expenses of the registration of the common stock for resale by the selling shareholders, including, without limitation, filing fees and expenses of compliance with state securities or blue sky laws; *provided, however*, that each selling shareholder will pay all underwriting discounts and selling commissions, if any, and any related legal expenses incurred by it.

DETERMINATION OF OFFERING PRICE

The prices at which the shares of common stock covered by this prospectus may actually be sold will be determined by the prevailing public market price for shares of common stock, by negotiations between the selling shareholders and buyers of our common stock in private transactions or as otherwise described in Plan of Distribution.

DESCRIPTION OF COMMON STOCK

We are authorized to issue up to 205,000,000 shares of capital stock, including 200,000,000 shares of common stock, par value $0.001 per share, and 5,000,000 shares of preferred stock, par value $0.001 per share. As of August 14, 2015, we had 79,604,624 common shares and 95,100 shares of Series B Preferred Stock (as defined below) issued and outstanding.

Our stockholders approved a proposal to implement a reverse stock split at a ratio of any whole number between one-for-two and one-for-eight, as determined by our Board of Directors, at any time before August 27, 2016, if and as determined by our Board of Directors. Our Board of Directors has not yet implemented such a reverse stock split.

Common Stock

Each outstanding share of common stock entitles the holder to one vote, either in person or by proxy, on all matters submitted to a vote of stockholders, including the election of directors. There is no cumulative voting in the election of directors. All actions required or permitted to be taken by stockholders at an annual or special meeting of the stockholders must be effected at a duly called meeting, with a quorum present of a majority in voting power of the shares entitled to vote thereon. Special meetings of the stockholders may only be called by our Board of Directors acting pursuant to a resolution approved by the affirmative majority of the entire Board of Directors. Stockholders may not take action by written consent. As more fully described in our Certificate of Incorporation, holders of our common stock are not entitled to vote on certain Amendments to the Certificate of Incorporation related solely to our preferred stock.

Subject to preferences which may be applicable to any outstanding shares of preferred stock from time to time, holders of our common stock have equal ratable rights to such dividends as may be declared from time to time by our Board of Directors out of funds legally available therefor. In the event of any liquidation, dissolution or winding-up of our affairs, holders of common stock will be entitled to share ratably in our remaining assets after provision for payment of amounts owed to creditors and preferences applicable to any outstanding shares of preferred stock. All outstanding shares of common stock are fully paid and nonassessable. Holders of common stock do not have preemptive rights.

The rights, preferences and privileges of holders of common stock are subject to the rights of the holders of any outstanding shares of preferred stock.

Preferred Stock

Our Board of Directors is authorized to issue up to 5,000,000 shares of non-voting preferred stock, par value $0.001 per share, in one or more series, without stockholder approval. Our Board of Directors is authorized to determine, with respect to each such series: (i) the rate of dividends payable thereon; (ii) the price, terms and conditions on which shares may be redeemed; (iii) the amount payable upon shares in the event of involuntary liquidation; (iv) the amount payable upon shares in the event of voluntary liquidation; (v) sinking fund provisions for the redemption of shares; (vi) the terms and conditions on which shares may be converted, if any; and (vii) voting powers.

Each share of each series of preferred stock will be identical in all respects with all other shares of the same series. Preferred stock does not have preemptive rights.

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Our Board of Directors previously established a series of preferred stock designated as Series B Convertible Preferred Stock (Series B Preferred Stock), comprising 400,000 shares of Preferred Stock, of which 95,100 shares remain outstanding as of August 14, 2015. Subject to superior rights of any other outstanding preferred stock from time to time, each outstanding share of Series B Preferred Stock is entitled to receive, in preference to the common stock, annual cumulative dividends equal to $0.25 per share per annum from the date of issuance, which shall accrue, whether or not declared. At the time shares of Series B Preferred Stock are converted into common shares, accrued and unpaid dividends will be paid in cash or with common shares. In the event we elect to pay dividends with common shares, the shares issued will be valued at $0.50 per share. Series B Preferred Stock does not have any voting rights. In the event of liquidation, each share of Series B Preferred Stock is entitled to receive, in preference to the common stock, a liquidation payment equal to $5.00 per share plus any accrued and unpaid dividends. If there are insufficient funds to permit full payment, the assets legally available for distribution will be distributed pro rata among the holders of the Series B Preferred Stock.

Each share of Series B Preferred Stock may be converted into ten fully paid shares of common stock at the option of a holder as long as we have sufficient authorized and unissued shares of common stock available. The conversion rate may be adjusted in the event of a reverse stock split, merger or reorganization.

Article and Bylaw Provisions with Possible Anti-Takeover Effects

As described above, our Board of Directors is authorized to designate and issue shares of preferred stock in series and define all rights, preferences and privileges applicable to such series. This authority may be used to make it more difficult or less economically beneficial to acquire or seek to acquire us.

Special meetings of the stockholders may only be called by our Board of Directors acting pursuant to a resolution approved by the affirmative majority of the entire Board of Directors. Stockholders may not take action by written consent.

The stockholders may, at a special stockholders meeting called for the purpose of removing directors, remove the entire Board of Directors or any lesser number, but only with cause, by a majority vote of the shares entitled to vote at an election of directors.

Warrants

As of August 14, 2015, we had issued and outstanding warrants to purchase up to 34,022,778 common shares, exercisable at prices ranging from $0.50 per share to $1.15 per share.

OUR BUSINESS

Overview/Corporate History

CytoDyn Inc. is a Delaware corporation with its principal business office at 1111 Main Street, Suite 660, Vancouver, Washington 98660. Our website can be found at www.cytodyn.com. We do not intend to incorporate any contents from our website into this prospectus. Effective August 27, 2015, we completed a reincorporation from Colorado to Delaware, upon approval of our shareholders at its annual meeting.

We are a publicly traded 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. Although CytoDyn intends to focus its efforts on PRO 140, we also hold certain rights in two proprietary platform technologies: Cytolin®, a humanized monoclonal antibody targeting HIV with a mechanism of action which may prove to be synergistic to that of PRO 140 and other treatments, and CytoFeline , a felinized monoclonal antibody targeting Feline Immunodeficiency Virus (FIV).

PRO 140

We believe the PRO 140 antibody shows promise as a powerful anti-viral agent while not being a chemically synthesized drug, which means fewer side effects, lower toxicity and less frequent dosing requirements, as compared to daily drug therapies currently in use. The PRO 140 antibody belongs to a class of HIV therapies known as entry inhibitors that block HIV from entering into and infecting certain cells. PRO 140 blocks HIV from entering a cell by binding to a molecule called CCR5, a normal cell surface co-receptor protein to which HIV attaches as part of HIV s entry into a cell.

PRO 140 is an antibody and not a chemically synthesized drug, and through preliminary, short-term trials it has demonstrated efficacy without issues relating to toxicity and autoimmune resistance. Moreover, these trials suggested that PRO 140 does not affect the normal function of the CCR5 co-receptor for HIV. Instead, PRO 140 binds to a precise site on CCR5 that HIV uses to enter the cell and, in doing so, inhibits the ability of HIV to infect the cell without affecting the cell s normal function.

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PRO 140 was originally developed by Progenics Pharmaceuticals, Inc. (Progenics), which led, and contributed to funding of, PRO 140 development and trials through 2011. We acquired the asset from Progenics in October 2012. Jeffrey M. Jacobson, M.D., Professor of Medicine, Microbiology and Immunology, Chief, Drexel University College of Medicine (Drexel), has conducted prior research relating to PRO 140, and is continuing to pursue one clinical trial partially funded through one grant awarded to Dr. Jacobson by the National Institutes of Health (NIH). We have also recently completed a successful Phase 2b clinical trial exploring PRO 140 as a short-term treatment substitution (as a monotherapy of PRO 140) for existing drug regimens.

To facilitate our self-funded and sponsored clinical research plans, we have engaged Amarex Clinical Research, LLC (Amarex), our principal contract research organization, to provide comprehensive clinical trial services, including managing our chemistry and manufacturing control (CMC) activities.

In furtherance of our business strategy, in mid-2014 we entered into a manufacturing agreement with a contract manufacturing organization to initiate preparations for the potential future manufacturing of additional PRO 140.

To date, PRO 140 has only been tested and administered to test subjects either intravenously or as a subcutaneous injection. We believe that, if PRO 140 is approved for use as an injectable by the FDA, it may nonetheless be an attractive and marketable therapeutic option (for patients with healthy CCR5), particularly in the following scenarios:

- Patients desiring a break from existing treatment regimens, whether due to side-effects or for any personal reasons;
- Patients with difficulty adhering to daily drug regimens;
- Patients who poorly tolerate existing therapies;
- Patients with compromised organ function, such as HCV (hepatitis C) co-infection;
- Patients with complex concomitant medical requirements; and
- Patients who choose not to start their highly active antiretroviral therapy (HAART) regimen immediately after being infected with HIV.

We believe PRO 140 has demonstrated potent (as compared to existing treatments) antiretroviral activity and an encouraging safety profile in prior clinical testing, that PRO 140 has the potential to be the first long-acting (weekly or every other week), self-administered HIV therapy, and that PRO 140 inhibit CCR5-tropic HIV while preserving CCR5 s natural activity. PRO 140 also appears to broadly inhibit drug-resistant CCR5-tropic HIV viruses, including one resistant to small-molecule anti-CCR5 HIV therapies. PRO 140 has no effect on strains of HIV called X4 exclusive virus. Overall, we believe PRO 140 represents a distinct class of CCR5 inhibitors with unique virological and immunological properties and may provide another distinct tool to treat HIV-infected subjects.

Current Clinical Trials

PRO 140 is currently being studied in two clinical trials. One study is led by Dr. Jeffrey Jacobson. This study is funded directly through grants from NIH. Pursuant to a clinical trial agreement with us, Drexel is now carrying the investigational new drug (IND) application. As such, we are precluded from commenting on the NIH sponsored study. A second clinical trial of PRO 140 commenced in May 2014 and is sponsored and funded by CytoDyn. This Phase 2b trial is known as treatment substitution. This Phase 2b trial was completed in January 2015 and several patients are continuing in extension studies of this monotherapy of a weekly injection of PRO 140. Results from these extension studies thus far indicate some patients are now reaching eleven months of suppressed viral load achieved through a successful monotherapy of PRO 140.

Our ongoing treatment substitution extension study has two objectives: (1) to assess the efficacy of PRO 140 monotherapy for the maintenance of viral suppression after being used in substitution of a patient s HAART regimen and (2) to assess the clinical safety and tolerability parameters for PRO 140 following use in substitution of HAART. The study protocol requires patients to be stable on HAART with an undetectable viral load. The trial design provided that patients will be shifted from HAART regimen to PRO 140 monotherapy for 12 weeks. PRO 140 is being administered as a 350mg subcutaneous dosage weekly and participants are monitored for viral rebound on a weekly basis. Total treatment duration with PRO 140 in the initial study was up to 14 weeks with one week overlap of existing retroviral regimen and PRO 140 at the beginning of the study period and also one week of overlap at the end in subjects who did not experience virologic failure, which is defined as a viral load above 400 two weeks in a row. An independent Data Safety Monitoring Board (DSMB) is required to monitor the study to ensure patient safety and to assess efficacy. The DSMB operates in conformance with the FDA guidelines for its independence, management and oversight.

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The Company s Phase 2b treatment substitution clinical trial results through May 31, 2015, (excluding patients who failed due to having the Dual/Mix virus, therefore were screening failures) are as follows:

98% of the patients passed 4 weeks of monotherapy

91% of the patients passed 6 weeks of monotherapy

82% of the patients passed 8 weeks of monotherapy

70% of the patients passed 11 weeks of monotherapy (maximum allowable monotherapy without an extension study)

14 patients, who were offered to continue in an extension study with this monotherapy, most are approaching 8 months without experiencing a virologic failure.

As only HIV patients who have CCR5 virus exclusively can benefit from PRO 140, each patient is required to take a DNA Trofile test prior to enrollment in the study. However, this test is not very accurate in patients with an undetectable viral load. Therefore, the occurrence of a number of viral rebounds due to inaccurate trofile screening was not unexpected. CytoDyn believes its clinical trial data demonstrates that patients with either R5 exclusive virus or Dual/Mix virus have all successfully passed four weeks of monotherapy, thus there would be no need for a trofile test, if this therapy were to be used for a three to four week treatment substitution. Furthermore, we believe if patients continue to remain on this monotherapy (as 14 patients are currently participating in an extension study, with some as long as eleven months), then their viral load should only be tested periodically.

On May 4, 2015, the Company announced that it has reached an agreement with the FDA on the Company s previously submitted Phase 3 protocol synopsis for PRO 140 and submitted the full Phase 3 protocol to the FDA. The Company s Phase 3 protocol provides for a 25-week study with 300 HIV patients.

The Company believes that upon successful completion of this Phase 3 study, CytoDyn will have the opportunity to seek accelerated approval for PRO 140 based on previously granted FDA fast-track candidate designation. Additionally, the Company may apply for a breakthrough designation for PRO 140, as the first self-injectable antibody for HIV therapy.

The Company announced on June 9, 2015, the FDA s approval of the Company s Phase 3 protocol for an additional indication for PRO 140 and expects to commence its first Phase 3 clinical trial in mid-2015. The Company also plans to request a meeting with the FDA to discuss potential additional indications for HIV therapy following the submission of the top-line report of the recently completed Phase 2b treatment substitution study.

In late July 2015, the Company announced that the Company s QA/QC expert had approved for release inventory suitable to satisfy CytoDyn s current Phase 3 trial. The Company s 25-week Phase 3 trial includes 300 patients and will require approximately 15,000 vials of PRO 140. Shortly thereafter, in early August 2015, the Company announced that it had initiated its first clinical site for its Phase 3 trial.

The Company s first Phase 3 study is designed to allow PRO 140 as a component of a HAART regimen for treatment experienced patients. HAART is the current standard of medical care for individuals with HIV. Management believes the market size for a HAART therapy, which includes the PRO 140 antibody, along with other PRO 140 indications, could exceed a billion dollars. CytoDyn believes that its PRO 140 antibody has compelling advantages over Maraviroc, the only other CCR5 antagonist for HIV therapy (Maraviroc is a pill taken orally twice a day. PRO 140 is currently being tested as a once-a-week subcutaneous injection of 350mg dose). These advantages include less toxicity, fewer side effects and once-a-week versus daily administration which together may improve patient compliance.

In June 2015, the Company announced that recent Company research data has expanded the potential clinical indications for PRO 140, now in Phase 3 for the treatment of HIV, to include certain inflammatory diseases, autoimmunity, transplantation and cancer.

The chemokine receptor, CCR5, is expressed on a variety of cells that play a central role in inflammatory responses. The receptor is activated by a chemokine mediator called CCL5, which has been shown to be a central figure in many inflammatory disease processes. Blocking the interaction of CCL5 with the receptor CCR5 is believed to be of therapeutic benefit. The monoclonal antibody PRO 140 targets the chemokine receptor CCR5, binding to it in a way that prevents HIV from using it as an entry gateway without activating the immune function of the receptor. The Company s recent research data indicate that PRO 140 also interferes with activation of the receptor by the mediator CCL5.

The Company has selected a transplantation indication called Graft versus Host Disease (GvHD) as its first non-HIV clinical indication. The CCR5 receptor, the target for PRO 140, is an important mediator of GvHD, especially in the organ damage that is the usual cause of death. The only approved CCR5 inhibitor, Maraviroc, is currently in a Phase 2 study in GvHD and results are expected in 2016. The Company believes that PRO 140 has significant advantages over Maraviroc in more favorable dosing and pharmacokinetics, less toxicity and side effects, and no direct stimulation (agonist activity) of the CCR5 receptor.

Other Product Candidates

Our second product candidate, Cytolin, is also a humanized monoclonal antibody for the treatment of HIV infection. It targets a normal cell molecule called CD11a, part of the heterodimer that makes up the cell adhesion molecule lymphocyte function cell associated antigen. Published reports have suggested that blocking or engaging CD11a might limit or prevent HIV infection of CD4 cells and monocytes.

We acquired rights to Cytolin in October 2003 pursuant to an agreement with CytoDyn of New Mexico, Inc. (CytoDyn NM). As part of the transaction, we acquired the drug candidate Cytolin and were assigned rights under the patent license agreement dated July 1, 1994, between CytoDyn NM and Allen D. Allen, covering United States Patent No. 5,651,970 (which describes a method for treating HIV disease with the use of monoclonal antibodies), including the worldwide, exclusive right to develop, market and sell compounds disclosed by the patent, to practice methods taught by the patent, and to exploit specified technology related to the patent. This patent is for a murine (mouse) version of the drug. The license agreement expired on the original expiration date of the patent in July 2014. On September 23, 2011, we filed a provisional patent application (Serial No. 61/534,942) in the United States for its humanized version of Cytolin. On September 13, 2012, we filed an international patent application (Serial No. PCT/US2012/055132) claiming priority to a United States provisional patent application for our humanized version of Cytolin. We now refer to Cytolin as the humanized version of the old Cytolin, which was the murine monoclonal antibody.

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In May 2011, we formed CytoDyn Veterinary Medicine LLC (CVM) to explore the possible application of feline reactive monoclonal antibodies for the treatment of Feline Immunodeficiency Virus (FIV). On June 17, 2011, we filed a provisional patent application in the United States (Serial No. 61/498,029) for the use of these antibodies, as well as selected small molecule antagonists and agonists for the treatment of FIV. On June 15, 2012, we filed an international patent application (Serial No. PCT/US2012/042693) and claimed priority to this provisional patent application. This international patent application has since entered European regional and U.S. and Canadian national stage examinations. CytoFeline is our felinized proprietary product targeted to treat FIV.

Until the clinical trials for PRO 140 have advanced further, we do not plan to devote any resources towards the development, research, testing, approval, or commercialization of Cytolin or CytoFeline.

PRO 140 Acquisition

We acquired PRO 140, as well as certain other related assets, including the existing inventory of PRO 140 bulk drug substance, intellectual property, and FDA regulatory filings, pursuant to an Asset Purchase Agreement, dated as of July 25, 2012 (the Progenics Agreement), between CytoDyn and Progenics. The terms of the Progenics Agreement provided for an initial cash payment of $3,500,000, which was paid at closing in October 2012, as well as the following milestone payments and royalties to be paid to Progenics in the future: (i) $1,500,000 at the time of the first dosing in a U.S. Phase 3 trial or non-US equivalent; (ii) $5,000,000 at the time of the first U.S. new drug application approval by the FDA or other non-U.S. approval for the sale of PRO 140; and (iii) royalty payments of 5% of net sales during the period beginning on the date of the first commercial sale of PRO 140 until the later of (a) the expiration of the last to expire patent included in the acquired assets, and (b) 10 years following the first commercialization sale of PRO 140, in each case determined on a country-by-country basis. The Progenics Agreement is filed as an exhibit to the registration statement of which this prospectus is a part.

Payments to Progenics are in addition to payments due under a Development and License Agreement, dated April 30, 1999 (the PDL License), between Protein Design Labs (now AbbVie Inc.) and Progenics, which was assigned to us in the PRO 140 transaction, pursuant to which we must pay additional milestone payments and royalties as follows: (i) $1,000,000 upon initiation of a Phase 3 clinical trial; (ii) $500,000 upon filing a Biologic License Application with the FDA or non-U.S. equivalent regulatory body; (iii) $500,000 upon FDA approval or approval by another non-U.S. equivalent regulatory body; and (iv) royalties of up to 7.5% of net sales for the longer of 10 years and the date of expiration of the last to expire licensed patent. Additionally, the PDL License provides for an annual maintenance fee of $150,000 until royalties paid exceed that amount. As of the date of this filing, management has reasonably estimated the likelihood of paying the first milestone payments, as probable, and accordingly, as of May 31, 2015, the Company has accrued $2,500,000 for the initial milestone associated with the first dosing in a Phase 3 trial. See Note 7 to the financial statements included herein.

As part of our acquisition of PRO 140, we entered into a collaboration agreement with Drexel, under which CytoDyn has provided Drexel with the necessary quantity of PRO 140 to conduct certain clinical trials. CytoDyn will have access to all clinical trial data and the right to use such data. During fiscal 2014, CytoDyn fulfilled its obligation to Drexel to deliver finished drug product for use in its clinical trials.

Effective July 29, 2015, we entered into a License Agreement (the License Agreement) with Lonza Sales AG (Lonza) covering Lonza s system know-how technology with respect to CytoDyn s use of proprietary cell lines to manufacture new PRO 140 material. The License Agreement requires payment of £600,000 (approximately US$930,000 at current exchange rates) by December 15, 2015, and a second payment of up to an additional £600,000 by June 30, 2016, in each case excluding certain value added taxes and similar amounts payable by CytoDyn. The second payment is to be reduced by any net recovery by Lonza in pending litigation between Lonza and the company that sold PRO 140 to

CytoDyn, whether before or after the payment is made.

Future annual license fees and royalty rate will vary depending on whether CytoDyn manufactures PRO 140 itself, utilizes Lonza as a contract manufacturer, or utilizes an independent party as a contract manufacturer. CytoDyn currently uses an independent party as a contract manufacturer. If that arrangement continues, an annual license fee of £300,000 and royalty of 0.75% of net selling price will be payable to Lonza, excluding value added taxes and similar amounts. A higher royalty rate is charged while certain Lonza patents remain in effect; the relevant patents will expire before CytoDyn expects to begin sales of PRO 140. Lonza does not charge an annual license fee when it serves as the manufacturer. The License Agreement remains in effect until terminated, or until the licensed system know-how ceases to be a trade secret.

Patents, Proprietary Technology and Data Exclusivity

Protection of our intellectual property rights is important to our business. We may file patent applications in the U.S., Canada, China, Japan, European countries that are party to the European Patent Convention and other countries on a selective basis in order to protect inventions we consider to be important to the development of our business.

Generally, patents issued in the U.S. are effective for either (i) 20 years from the earliest asserted filing date, if the application was filed on or after June 8, 1995, or (ii) the longer of 17 years from the date of issue or 20 years from the earliest asserted filing date, if the application was filed prior to that date. A U.S. patent, to be selected by the company upon receipt of FDA regulatory approval, may be subject to up to a five-year patent term extension in certain instances. While the duration of foreign patents varies in accordance with the provisions of applicable local law, most countries provide for a patent term of 20 years measured from the application filing date and some may also allow for patent term extension to compensate for regulatory approval delay. We pursue opportunities for seeking new meaningful patent protection on an ongoing basis. We currently anticipate that, absent patent term extension, patent protection relating to the PRO 140 antibody itself will start to expire in 2023, certain methods of using PRO 140 will start to expire in 2026, and certain formulations comprising PRO 140 will start to expire in 2031.

Patents do not enable us to preclude competitors from commercializing drugs in direct competition with our products that are not covered by granted and enforceable patent claims. Consequently, patents may not provide us with any meaningful competitive advantage. See related risk factors under the heading Risk Factors above. We may also rely on data exclusivity, trade secrets and proprietary know-how to develop and attempt to achieve a competitive position with our product candidates. We generally require our employees, consultants and partners who have access to our proprietary information to sign confidentiality agreements in an effort to protect our intellectual property.

Separate from and in addition to the patent rights noted above, we expect that PRO 140 will be subject to at least a 12-year data exclusivity period measured from the first date of FDA licensure, during which period no other applications referencing PRO 140 will be approved by FDA. Further, no other applications referencing PRO 140 will be accepted by FDA for a 4-year period measured from the first date of FDA licensure. Accordingly, this period of data exclusivity is expected to provide at least a 12-year term of protection against competing products shown to be biosimilar or interchangeable with PRO 140. Similar data exclusivity or data protection periods of up to about 5-years or more are provided in at least Australia, Canada, Europe, Japan, and New Zealand.

We note that data exclusivity is not an extension of patent rights, and it does not prevent the introduction of generic versions of the innovative drug during the data exclusivity period, as long as the marketing approval of the generic version does not use or rely upon the innovator s test data. Patents and data exclusivity are different concepts, protect different subject matter, arise from different efforts, and have different legal effects over different time periods.

Information with respect to our current patent portfolio as of July 31, 2015, is set forth below.

Product Candidates	Number of Patents U.S.	Number of Patents International	Expiration Dates[1]	Number of Patent Applications U.S.	Number of Patent Applications International
PRO 140	14	27	2015-2031	8	14
Cytolin				1	
CytoFeline				2	3

(1) Patent term extensions and pending patent applications may extend periods of patent protection.

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Research, development and commercialization of a biopharmaceutical product often require choosing between alternative development and optimization routes at various stages in the development process. Preferred routes depend upon current and may be affected by subsequent discoveries and test results, availability of financial resources, and other factors, and cannot be identified with certainty. There are numerous third-party patents in fields in which we work, and we may need to obtain licenses under patents of others in order to pursue a preferred development route of one or more of our product candidates. The need to obtain a license would decrease the ultimate value and profitability of an affected product. If we cannot negotiate such a license, we might have to pursue a less desirable development route or terminate the program altogether. See Risk Factors above.

Government Regulation

Regulation of Health Care Industry

The health care industry is highly regulated, and state and federal health care laws and regulations are applicable to certain aspects of our business. For example, there are federal and state health care laws and regulations that apply to the operation of clinical laboratories, the business relationships between health care providers and suppliers, the privacy and security of health information and the conduct of clinical research.

Regulation of Products

The design, testing, manufacture, safety, effectiveness, labeling, storage, record keeping, approval, advertising and promotion of our products is regulated by numerous third parties, including the FDA, foreign governments, independent standards auditors and our customers.

In the United States, biological products have long been subject to regulation by various federal and state agencies, primarily as to product safety, efficacy, manufacturing, advertising, labeling, import, export and safety reporting. The exercise of broad regulatory powers by the FDA through its Center for Devices and Radiological Health and its Center for Biological Evaluation and Research continues to result in increases in the amounts of testing and documentation for FDA clearance of current and new biologic products. The FDA can ban certain biological products; detain or seize adulterated or misbranded biological products; order repair, replacement or refund of these products; and require notification of health professionals and others with regard to biological products that present unreasonable risks of substantial harm to the public health. The FDA may also enjoin and restrain certain violations of the Federal Food, Drug and Cosmetic Act, as amended, or the Public Health Service Act pertaining to certain biological products or initiate action for criminal prosecution of such violations.

The lengthy process of seeking drug approvals, and the subsequent compliance with applicable statutes and regulations, require the expenditure of substantial resources. Failure to comply with applicable regulations can result in refusal by the FDA to approve product license applications. The FDA also has the authority to revoke previously granted product approvals.

Regulation of Laboratory Operations

Clinical laboratories that perform laboratory testing (except for research purposes only) on human subjects are subject to regulation under Clinical Laboratory Improvement Amendments (CLIA). CLIA regulates clinical laboratories by requiring that the laboratory be certified by the federal government, licensed by the state and comply with various operational, personnel and quality requirements intended to ensure that clinical laboratory test results are accurate, reliable and timely. State law and regulations also apply to the operation of clinical laboratories.

State Governments

Most states in which we operate have regulations that parallel federal regulations. Most states conduct periodic unannounced inspections and require licensing under such state s procedures. Our research and development activities and the manufacture and marketing of our products are and will be subject to rigorous regulations relating to product safety and efficacy by numerous governmental authorities in the United States and other countries.

Other Laws and Regulations

We are subject to various laws and regulations relating to safe working conditions, clinical, laboratory and manufacturing practices, the experimental use of animals and the use and disposal of hazardous or potentially hazardous substances, including radioactive compounds and infectious disease agents, used in connection with our research. The extent of government regulation applying to our business that might result from any legislative or administrative action cannot be accurately predicted.

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Environmental

We are subject to a variety of federal, state and local environmental protection measures. We believe that our operations comply in all material respects with applicable environmental laws and regulations. Our compliance with these regulations did not have during the past year and is not expected to have a material effect upon our capital expenditures, cash flows, earnings or competitive position.

Registrational Clinical Trials Process

Described below is the traditional registrational drug development track. Our current business strategy is to focus primarily on the PRO 140 Phase 3 trial, seeking additional indications in Phase 3 trials, which we will sponsor and fund (subject to the availability of sufficient capital to pursue additional paths), and to continue to evaluate and leverage the clinical data from our recently completed Phase 2b treatment substitution trial. Additional clinical studies of our lead product candidate, PRO 140, are being sponsored by Drexel and funded at least in part by the NIH but are less critical to the viability of our business.

Phase 1

Phase 1 includes the initial introduction of an investigational new drug or biologic into humans. These studies are closely monitored and may be conducted in patients, but are usually conducted in a small number of healthy volunteer subjects. These studies are designed to determine the metabolic and pharmacologic actions of the investigational product in humans, the side effects associated with increasing doses, and, if possible, to gain early evidence on effectiveness. During Phase 1, sufficient information about the investigational product s pharmacokinetics and pharmacological effects are obtained to permit the design of well-controlled, scientifically valid, Phase 2 studies. Phase 1 studies of PRO 140 have been conducted and completed by or on behalf of Progenics by Dr. Jacobson and others prior to our acquisition of PRO 140.

Phase 2

Phase 2 includes the early controlled clinical studies conducted to obtain some preliminary data on the effectiveness of the drug for a particular indication or indications in patients with the disease or condition. This phase of testing also helps determine the common short-term side effects and risks associated with the drug. Phase 2 studies are typically well-controlled, closely monitored, and conducted in a relatively small number of patients, often involving several hundred people. In some cases, depending upon the need for a new drug, a particular drug candidate may be licensed for sale in interstate commerce after a pivotal Phase 2 trial.

Phase 2 is often broken into Phase 2a, which can be used to refer to pilot trials, or more limited trials evaluating exposure response in patients, and Phase 2b trials that are designed to evaluate dosing efficacy and ranges. We believe studies conducted under the direction of Dr. Jacobson at Drexel will collectively constitute a Phase 2b trial. Our treatment substitution clinical trial is a Phase 2b trial.

Phase 3

Phase 3 studies are expanded controlled clinical studies. They are performed after preliminary evidence suggesting effectiveness of the drug has been obtained in Phase 2, and are intended to gather the additional information about effectiveness and safety that is needed to evaluate the overall benefit/risk relationship of the drug. Phase 3 studies also provide an adequate basis for extrapolating the results to the general population and transmitting that information in the physician labeling. Phase 3 studies usually involve significantly larger groups of patients, and considerable

additional expense. We are required to pay significant fees to third parties upon the first patient dosing in a Phase 3 trial of PRO 140. See the discussion under the subheading PRO 140 Acquisition above.

Competition

The pharmaceutical and biotechnology industries are characterized by rapidly evolving technology and intense competition. Our development efforts may compete with more established biotechnology companies that have significantly greater financial and managerial resources than we do.

Advancing PRO 140 is our highest priority. PRO 140 blocks a cell receptor called CCR5, which is the entry point for most strains of HIV virus. Pfizer s maraviroc (Selzentry®) is the only currently approved CCR5 blocking agent. Another recent entry into the HIV treatment space is Truvada, an HIV drug produced by Gilead Sciences, Inc. Both of these drugs must be taken daily and are believed to have significant side effects. For these reasons, we believe that our lead product, PRO 140, a monoclonal antibody may prove to be useful in patients that cannot tolerate existing HIV therapies or desire a respite from those therapies. Nonetheless, manufacturers of current therapies, such as Pfizer and Gilead Sciences, are very large, multi-national corporations with significant resources. We expect that these companies will compete fiercely to defend and expand their market share.

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Our potential competitors include entities that develop and produce therapeutic agents. These include numerous public and private academic and research organizations and pharmaceutical and biotechnology companies pursuing production of, among other things, biologics from cell cultures, genetically engineered drugs and natural and chemically synthesized drugs. All of these potential competitors have substantially greater capital resources, management expertise, research and development capabilities, manufacturing and marketing resources and experience than we do.

Our competitors may succeed in developing potential drugs or processes that are more effective or less costly than any that may be developed by us or that gain regulatory approval prior to our potential drug candidates. Worldwide, there are many antiviral drugs for treating HIV. In seeking to manufacture, distribute and market the potential drugs we hope to have approved, we face competition from established pharmaceutical companies. All of our potential competitors have considerably greater financial and management resources than we possess. We also expect that the number of our competitors and potential competitors will increase as more potential drugs receive commercial marketing approvals from the FDA or analogous foreign regulatory agencies. Any of these competitors may be more successful than us in manufacturing, marketing and distributing HIV treatments.

Research and Development Costs

Our research and development expenses totaled approximately $15.2 million and $4.0 million for the fiscal years ended May 31, 2015 and May 31, 2014, respectively. We expect that research and development expenses will continue to be a significant expense as we seek to develop our current and future product pipeline.

Employees and Consultants

We have three full-time employees, our CEO, CFO and Director of Accounting, as well as several independent consultants assisting us with our clinical trials of PRO 140 and manufacturing activities. There can be no assurance that we will be able to identify or hire and retain additional employees or consultants on acceptable terms in the future.

Properties

We relocated our principal office to our current address at 1111 Main Street, Suite 660, Vancouver, Washington 98660 effective as of October 1, 2013. We lease 1,383 square feet in a commercial office building pursuant to a lease that expires on September 30, 2016, at a cost of $2,478 per month, plus modest annual increases. The lease also provides for early termination after 12 and 24 months.

Legal Proceedings

From time to time, we are involved in claims and suits that arise in the ordinary course of our business. Management currently believes that the resolution of any such claims against us, if any, will not have a material adverse effect on our business, financial condition or results of operations.

MANAGEMENT S DISCUSSION AND ANALYSIS

OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the other sections of this prospectus, including our audited annual consolidated financial statements and related notes beginning on page F-1 of this prospectus. This discussion and analysis contains forward-looking

statements, including information about possible or assumed results of our financial condition, operations, plans, objectives and performance that involve risks, uncertainties and assumptions. See Cautionary Note Regarding Forward-Looking Statements above. Our actual results may differ materially from those anticipated or suggested in any forward-looking statements.

Business Highlights

Since the beginning of fiscal 2014, we commenced several initiatives to advance our lead product candidate, PRO 140. The following is a brief summary of key accomplishments:

Raised $21.8 million in capital through two private equity offering;

Engaged a full service clinical research organization to manage our regulatory affairs, clinical trials and CMC activities;

Advanced PRO 140 from a frozen bulk drug substance state through fill and finish and delivered finished drug product to Drexel University College of Medicine for its self-sponsored, NIH-funded clinical trials of PRO 140;

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Obtained FDA approval and successfully concluded a self-sponsored, self-funded Phase 2b clinical trial for a PRO 140 monotherapy study referred to as treatment substitution;

Prepared and delivered finished drug product of PRO 140 for our first self-sponsored Phase 2b clinical trial, our treatment substitution study;

Raised $7.5 million in capital through three private convertible debt offerings;

Induced the conversion of approximately $4.2 million in aggregate principal amount of convertible promissory notes into common stock;

Further advanced preparations for the manufacturing of new cGMP PRO 140 antibody material; and

Obtained FDA approval of a Phase 3 clinical trial protocol, which is anticipated to commence in mid-2015.

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Results of Operations

Results of operations for the year ended May 31, 2015, compared to May 31, 2014 are as follows:

For the years ended May 31, 2015 and 2014, we had no activities that produced revenues from operations.

For the years ended May 31, 2015 and 2014, we incurred net losses of approximately $25.1 million and $12.4 million, respectively. The increase in net loss of approximately $12.7 million for fiscal 2015 over fiscal 2014 was primarily attributable to an increase in research and development expenses, higher non-cash inducement interest expense, the recognition of a derivative liability and higher amortization of debt discount.

Total operating expenses for the years ended May 31, 2015 and 2014, are as follows:

	2015	2014
General and administrative:		
Salaries and other compensation	$ 1,330,000	$ 900,000
Stock-based compensation	631,000	928,000
Accounting and consulting	134,000	216,000
Other	1,188,000	1,063,000
Total general and administrative	3,283,000	3,107,000
Legal	797,000	672,000
Research and development	15,156,000	3,982,000
Amortization and depreciation	361,000	352,000
Total operating expenses	$ 19,597,000	$ 8,113,000

The increase in fiscal 2015 total operating expenses of approximately $11.5 million, or 142%, over fiscal 2014 was primarily related to the increase in research and development expenditures, and accrued incentive compensation, offset slightly by the reduction in stock-based compensation and consulting expenses.

Salaries and other compensation increased approximately $430,000, or 48%, from approximately $900,000 in fiscal year 2014 to approximately $1,320,000 for the year ended May 31, 2015 due to accrued incentive compensation and to a lesser extent higher salary levels.

Stock-based compensation decreased approximately $297,000, or 32%, from approximately $928,000 for the year ended May 31, 2014, to approximately $631,000 for the year ended May 31, 2015. The decrease was attributable to a reduction in stock option awards offset in part by an increase in warrants issued to third parties for compensation of services.

Accounting and consulting expenses decreased approximately $82,000, or 37%, from $216,000 in fiscal year 2014 to approximately $134,000 for the year ended May 31, 2015. The decrease in accounting an