UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-Q/A

(AMENDMENT No. 1)

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

For the quarterly period ended November 30, 2010

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

For the transition period from to

Commission File Number: 000-49908

CYTODYN INC.

(Exact name of registrant as specified in its charter)

Colorado	**75-3056237**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer or Identification No.)
110 Crenshaw Lake Road, Lutz, Florida	**33548**
(Address of principal executive offices)	(Zip Code)

(Registrant's telephone number, including area code) (813) 527-6969

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

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer	☐	Accelerated Filer	☐
Non-accelerated Filer	☐	Smaller Reporting Company	☒

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act): Yes ☐ No ☒

On January 14, 2011, there were 21,341,796 shares outstanding of the registrant's no par common stock.

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PART I

Item 1. Financial Statements.

CytoDyn Inc.
(A Development Stage Company)
Condensed Consolidated Balance Sheet

	November 30, 2010 (Restated)	May 31, 2010 (Restated)
Assets		
Current Assets:		
Cash	$ 97,730	$ 700,497
Prepaid expenses	26,481	12,127
Prepaid license fees	7,500	7,500
Deferred offering costs in connection with stock rescission liability	1,936,639	1,823,879
Total current assets	2,068,350	2,544,003
Furniture and equipment, net	6,905	3,549
Other Assets	20,225	23,975
	$ 2,095,480	$ 2,571,529
Liabilities and Shareholders' (deficit)		
Current liabilities:		
Accounts payable	$ 253,935	$ 178,956
Accrued liabilities	13,209	15,209
Accrued stock incentive compensation	1,180,000	1,180,000
Indebtedness to related parties - short-term portion	148,985	153,985
Accrued interest payable	18,437	25,575
Stock rescission liability	4,183,000	3,997,000
Total current liabilities	5,797,566	5,550,725
Long Term Liabilities		
Accrued salaries - related party	—	229,500
Convertible notes payable, net	6,937	6,937
Total Liabilities	5,804,503	5,787,162
Shareholders' (deficit):		
Series B Convertible stock preferred stock, no par value; 400,000 shares authorized, 342,000 and 400,000 shares issued and outstanding at November 30, 2010 and May 31, 2010, respectively	1,717,695	2,009,000
Common stock, no par value; 100,000,000 shares authorized, 21,127,395 and 20,075,895 outstanding at November 30, 2010 and May 31, 2010, respectively; 20,927,395 and 19,875,895 issued at November 2010 and May 31, 2010, respectively	7,939,859	7,145,304
Additional paid-in capital	5,381,826	4,703,875
Common and Preferred stock subject to rescission	(4,183,000)	(3,997,000)
Treasury stock, at cost, 200,000 shares held at November 30, 2010 and May 31, 2010, respectively	(100,000)	(100,000)
Additional paid-in capital - treasury stock	313,080	313,080
Prepaid stock services	—	(49,288)
Accumulated deficit on unrelated dormant operations	(1,601,912)	(1,601,912)
Deficit accumulated during development stage	(13,176,571)	(11,638,694)
Total shareholders' (deficit)	(3,709,023)	(3,251,635)
	$ 2,095,480	$ 2,571,527

See accompanying notes to condensed consolidated financial statements.

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CytoDyn Inc.
(A Development Stage Company)
Condensed Consolidated Statements of Operations
(Unaudited)

	Three months ended,		Six months ended		October 28, 2003
	11/30/2010	11/30/2009	11/30/2010	11/30/2009	11/30/2010
	Restated	Restated	Restated	Restated	Restated
Operating expenses:					
General and administrative	$ 755,338	$ 383,034	$ 1,266,968	$ 591,939	$ 9,748,722
Amortization / depreciation	800	461	1,349	1,046	179,318
Research and development	226,015	160,878	253,265	167,368	2,001,968
Legal fees	3,293	10,848	7,729	30,407	740,298
Total operating expenses	985,446	555,221	1,529,311	790,760	12,670,306
Operating loss	(985,446)	(555,221)	(1,529,311)	(790,760)	(12,670,306)
Interest income	—	—	—	—	1,627
Extinguishment of debt	—	—	—	—	337,342
Interest expense:					
Interest on convertible debt	—	—	—	(38,604)	(734,863)
Interest on notes payable	(4,481)	(6,091)	(8,566)	(15,177)	(110,371)
Loss before income taxes	(989,927)	(561,312)	(1,537,877)	(844,541)	(13,176,571)
Income tax provision	—	—	—	—	—
Net loss	$ (989,927)	$ (561,312)	$ (1,537,877)	$ (844,541)	$ (13,176,571)
constructive preferred Stock dividends	$ —	$ —	$ —	$ —	$ (6,000,000)
Convertible preferred Stock dividends	$ (2,750)	$ —	$ (2,750)	$ —	$ (2,750)
net loss applicable to Common shareholders	$ (992,677)	$ (561,312)	$ (1,540,627)	$ (844,541)	$ (19,179,321)
Basic and diluted loss per share	$ (.05)	$ (0.03)	$ (.08)	$ (0.04)	$ (1.57)
Basic and diluted weighted average common shares outstanding	20,548,977	19,606,592	20,260,477	19,072,811	12,250,812

See accompanying notes to condensed consolidated financial statements.

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CytoDyn Inc.
(A Development Stage Company)
Consolidated Statements of Changes in Shareholders' Equity (Deficit)
Period October 28, 2003 through November 30, 2010
Restated

	Preferred Stock		Common Stock		Additional	Subject to
	Shares	Amount	Shares	Amount	Paid-In Capital	Rescission
Balance at October 28, 2003, following recapitalization	—	—	6,252,640	$1,425,334	23,502	—
February through April 2004, sale of common stock less offering costs of $54,000 ($.30/share)	—	—	1,800,000	486,000	—	—
February 2004, shares issued to former officer as payment for working capital advance ($.30/share)	—	—	16,667	5,000	—	—
Net loss at year ended May 31, 2004	—	—	—	—	—	—
Balance at May 31, 2004	—	—	8,069,307	1,916,334	23,502	—
July 2004, capital contribution by an officer	—	—	—	—	512	—
November 2004, common stock warrants granted	—	—	—	—	11,928	—
February 2005, capital contribution by an officer	—	—	—	—	5,000	—
Net loss at year ended May 31, 2005	—	—	—	—	—	—
Balance at May 31, 2005	—	—	8,069,307	1,916,334	40,942	—

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CytoDyn Inc.
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Consolidated Statements of Changes in Shareholders' Equity (Deficit)
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	Treasury Stock APIC	Stock for Prepaid Services	Accumulated Deficit	Accumulated During Development Stage	Total
Balance at October 28, 2003, following recapitalization	—	—	$(1,594,042)	—	$(145,206)
February through April 2004, sale of common stock less offering costs of $54,000 ($.30/share)	—	—	—	—	486,000
February 2004, shares issued to former officer as payment for working capital advance ($.30/share)	—	—	—	—	5,000
Net loss at year ended May 31, 2004	—	—	(7,870)	(338,044)	(345,914)
Balance at May 31, 2004	—	—	(1,601,912)	(338,044)	(120)
July 2004, capital contribution by an officer	—	—	—	—	
					512
November 2004, common stock warrants granted	—	—	—	—	11,928
February 2005, capital contribution by an officer	—	—	—	—	5,000
Net loss at year ended May 31, 2005	—	—	—	(777,083)	(777,083)
Balance at May 31, 2005	—	—	(1,601,912)	(1,115,127)	(759,763)

See accompanying notes to condensed consolidated financial statements.

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Consolidated Statements of Changes in Shareholders' Equity (Deficit)
Period October 28, 2003 through November 30, 2010
Restated

	Preferred Stock		Common Stock		Additional
	Shares	Amount	Shares	Amount	Paid-In Capital
June through July 2005, sale of common stock less offering costs of $27,867($.75/share)	—	—	289,890	189,550	—
August 2005, common shares issued to extinguish promissory notes payable and related interest ($.75/share)	—	—	160,110	120,082	—
May 2006, common shares issued to extinguish convertible debt	—	—	350,000	437,500	—
November 2005, 94,500 warrants exercised ($.30/share)	—	—	94,500	28,350	—
January through April 2006, common shares issued for prepaid services	—	—	183,857	370,750	—
Amortization of prepaid stock services	—	—	—	—	—
January through May 2006, warrants issued with convertible debt	—	—	—	—	274,950
January through May 2006, beneficial conversion feature of convertible debt	—	—	—	—	234,550
March through May 2006, stock options granted to consultants	—	—	—	—	687,726

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	Treasury Stock APIC	Stock for Prepaid Services	Accumulated Deficit	Accumulated During Development Stage	Total
June through July 2005, sale of common stock less offering costs of $27,867 ($.75/share)	—	—	—	—	189,550
August 2005, common shares issued to extinguish promissory notes payable and related interest ($.75/share)	—	—	—	—	120,082
May 2006, common shares issued to extinguish convertible debt	—	—	—	—	437,500
November 2005, 94,500 warrants exercised ($.30/share)	—	—	—	—	28,350
January through April 2006, common shares issued for prepaid services	—	(370,750)	—	—	—
Amortization of prepaid stock services	—	103,690	—	—	103,690
January through May 2006, warrants issued with convertible debt	—	—	—	—	274,950
January through May 2006, beneficial conversion feature of convertible debt	—	—	—	—	234,550
March through May 2006, stock options granted to consultants	—	—	—	—	687,726

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CytoDyn Inc.
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	Preferred Stock		Common Stock		Additional	Subject to
	Shares	Amount	Shares	Amount	Paid-In Capital	Rescission
March 2006, stock options issued to extinguish debt	—	—	—	—	86,341	—
Net loss at year ended May 31, 2006	—	—	—	—	—	—
Balance at May 31, 2006	—	—	9,147,664	3,062,566	1,324,509	—
Common stock issued to extinguish convertible debt	—	—	119,600	149,500	—	—
Common stock issued for AITI acquisition	—	—	2,000,000	934,399	—	—
Amortization of prepaid stock services	—	—	—	—	—	—
Common stock payable for prepaid services	—	—	—	—	120,000	—
Stock-based compensation	—	—	—	—	535,984	—
Warrants issued with convertible debt	—	—	—	—	92,500	—
Common stock issued for services	—	—	30,000	26,400	—	—
Preferred shares issued AGTI	100,000	167,500	—	—	—	—
Net loss, May 31, 2007	—	—	—	—	—	—
Balance at May 31, 2007	100,000	167,500	11,297,264	4,172,865	2,072,993	—

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	Treasury Stock APIC	Stock for Prepaid Services	Accumulated Deficit	Accumulated During Development Stage	Total
March 2006, stock options issued to extinguish debt	—	—	—	—	86,341
Net loss at year ended May 31, 2006	—	—	—	(2,053,944)	(2,053,944)
Balance at May 31, 2006	—	(267,060)	(1,601,912)	(3,169,071)	(650,968)
Common stock issued to extinguish convertible debt	—	—	—	—	149,500
Common stock issued for AITI acquisition	—	—	—	—	934,399
Amortization of prepaid stock services	—	267,060	—	—	267,060
Common stock payable for prepaid services	—	(106,521)	—	—	13,479
Stock-based compensation	—	—	—	—	535,984
Warrants issued with convertible debt	—	—	—	—	92,500
Common stock issued for services	—	—	—	—	26,400
Preferred shares issued AGTI	—	—	—	—	167,500
Net loss, May 31, 2007	—	—	—	(2,610,070)	(2,610,070)
Balance at May 31, 2007	—	(106,521)	(1,601,912)	(5,779,141)	(1,074,216)

See accompanying notes to condensed consolidated financial statements.

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	Preferred Stock		Common Stock		Additional	Subject to
	Shares	Amount	Shares	Amount	Paid-In Capital	Rescission
Amortization of prepaid stock for services	—	—	—	—	—	—
Stock based compensation	—	—	—	—	461,602	—
Common stock issued to extinguish convertible debt	—	—	750,000	75,000	—	—
Rescission of common stock issued for services	—	—	(142,857)	(100,000)	—	—
Original issue discount convertible debt with warrants	—	—	—	—	3,662	—
Original issue discount convertible debt with beneficial conversion feature	—	—	—	—	75,000	—
Stock issued for cash ($.50/share)	—	—	642,000	321,000	—	(321,000)
Net loss	—	—	—	—	—	—
Balance at May 31, 2008	100,000	$167,500	12,546,407	$4,468,865	$ 2,613,257	(321,000)

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	Treasury Stock APIC	Stock for Prepaid Services	Accumulated Deficit	Accumulated During Development Stage	Total
Amortization of prepaid stock for services	—	106,521	—	—	106,521
Stock based compensation	—	—	—	—	461,602
Common stock issued to extinguish convertible debt	—	—	—	—	75,000
Rescission of common stock issued for services	—	—	—	—	(100,000)
Original issue discount convertible debt with warrants	—	—	—	—	3,662
Original issue discount convertible debt with beneficial conversion feature	—	—	—	—	75,000
Stock issued for cash ($.50/share)	—	—	—	—	—
Net loss	—	—	—	(1,193,684)	(1,193,684)
Balance at May 31, 2008	—	—	$(1,601,912)	$(6,972,825)	$(1,646,115)

See accompanying notes to condensed consolidated financial statements.

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CytoDyn Inc.
(A Development Stage Company)
Consolidated Statements of Changes in Shareholders' Equity (Deficit)
Period October 28, 2003 through November 30, 2010
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	Preferred Stock		Common Stock		Additional	Subject to
	Shares	Amount	Shares	Amount	Paid-In Capital	Rescission
Stock issued for cash ($.50/share)	—	—	3,023,308	$1,511,654	—	(1,494,000)
Stock issued for services ($.50/share)	—	—	388,200	194,100	—	—
Stock issued for services ($.37/share)	—	—	150,000	55,500	—	—
Stock based compensation	—	—	—	—	371,996	—
Stock issued in payment of accounts payable, ($.50/share)	—	—	98,000	49,000	—	—
Stock issued for services ($.42/share)	—	—	15,400	6,468	—	—
Capital contribution	—	—	—	—	8,900	—
Net loss ended May 31, 2009	—	—	—	—	—	—
Balance at May 31, 2009	100,000	$167,500	16,221,315	$6,285,587	$ 2,994,153	$(1,815,000)
Stock issued for cash ($.50/share	—	—	236,400	118,200	—	(118,200)
Stock issued for cash ($.50/share)	—	—	632,000	290,500	—	(290,500)
Stock issued for cash ($.50/share)	—	—	304,580	137,061	—	(137,061)
Conversion of debt to Common stock ($.45/share)	—	—	325,458	146,456	—	—

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Restated

	Treasury Stock		Treasury Stock APIC	Stock for Prepaid Services	Accumulated Deficit	Deficit Accumulated During Development Stage	Total
	Shares	Amount					
Stock issued for cash ($.50/share)	—	—	—	—	—	—	$ 17,654
Stock issued for services ($.50/share)	—	—	—	—	—	—	194,100
Stock issued for services ($.37/share)	—	—	—	—	—	—	55,500
Stock based compensation	—	—	—	—	—	—	371,996
Stock issued in payment of accounts payable, ($.50/share)	—	—	—	—	—	—	49,000
Stock issued for services ($.42/share)	—	—	—	—	—	—	6,468
Capital contribution	—	—	—	—	—	—	8,900
Net loss ended May 31, 2009	—	—	—	—	—	(1,306,004)	(1,306,004)
Balance at May 31, 2009	—	—	—	—	$(1,601,912)	$(8,278,829)	$(2,248,501)
Stock issued for cash ($.50/share)	—	—	—	—	—	—	—
Stock issued for cash ($.50/share)	—	—	—	—	—	—	—
Stock issued for cash ($.50/share)	—	—	—	—	—	—	—
Conversion of debt to Common stock ($.45/share)	—	—	—	—	—	—	146,456

See accompanying notes to condensed consolidated financial statements.

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CytoDyn Inc.
(A Development Stage Company)
Consolidated Statements of Changes in Shareholders' Equity (Deficit)
Period October 28, 2003 through November 30, 2010
Restated

	Preferred Stock		Common Stock		Additional	Subject to
	Shares	Amount	Shares	Amount	Paid-In Capital	Rescission
Conversion of preferred stock to common stock	(100,000)	(167,500)	2,356,142	167,500	—	—
Stock-based compensation	—	—	—	—	1,671,118	—
Original issue discount convertible debt with beneficial conversion feature	—	—	—	—	38,604	—
Expiration of rescission liabilities	—	—	—	—	—	903,550
Repurchase of common stock ($.28/share)	—	—	—	—	—	—
Repurchase of common stock ($.50/share)	—	—	—	—	—	—
Stock issued for cash ($.50/share)	—	—	—	—	—	(277,000)
Stock issued for services ($1.45/share)	—	—	—	—	—	—
Stock issued for cash ($.50/share)	—	—	—	—	—	(253,789)

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(A Development Stage Company)
Consolidated Statements of Changes in Shareholders' Equity (Deficit)
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Restated

	Treasury Stock		Treasury Stock APIC	Stock for Prepaid Services	Accumulated Deficit	Deficit Accumulated During Development Stage	Total
	Shares	Amount					
Conversion of preferred Stock to common stock	—	—	—	—	—	—	—
Stock-based compensation	—	—	—	—	—	—	1,671,118
Original issue discount convertible debt with beneficial conversion feature	—	—	—	—	—	—	38,604
Expiration of rescission liabilities	—	—	—	—	—	—	903,550
Repurchase of common stock ($.28/share)	(1,200,000)	(336,000)	—	—	—	—	(336,000)
Repurchase of common stock ($.50/share)	(200,000)	(100,000)	—	—	—	—	(100,000)
Stock issued for cash ($.50/share)	550,000	154,000	123,000	—	—	—	—
Stock issued for services ($1.45/share)	81,580	22,842	95,449	(118,291)	—	—	—
Stock issued for cash ($.50/per share)	568,420	159,158	94,631	—	—	—	—

See accompanying notes to condensed consolidated financial statements.

CytoDyn Inc.
(A Development Stage Company)
Consolidated Statements of Changes in Shareholders' Equity (Deficit)
Period October 28, 2003 through November 30, 2010
Restated

	Preferred Stock		Common Stock		Additional Paid-In Capital	Rescission Amount
	Shares	Amount	Shares	Amount		
Amortization of prepaid Stock for services	—	—	—	—	—	—
Series B Convertible Preferred stock issued for cash ($5.00/share)	400,000	2,009,000	—	—	—	(2,009,000)
Net Loss, ended May 31, 2010	—	—	—	—	—	—
Balance at May 31, 2010	400,000	$2,009,000	20,075,895	$7,145,304	$4,703,875	$(3,997,000)
Conversion of Series B Convertible Preferred Stock to Common Stock (unaudited)	(58,000)	(291,305)	580,000	291,305	—	—
Stock issued for services ($1.23/share) (unaudited)	—	—	150,000	184,500	—	—
Capital contribution (unaudited)	—	—	—	—	229,500	—
Stock issued for cash ($1.00/share) (unaudited)	—	—	316,000	316,000	—	(316,000)
Series B Convertible Preferred Stock dividends (unaudited)	—	—	5,500	2,750	(2,750)	—
Stock based compensation (unaudited)	—	—	—	—	451,201	—
Rescission expirations and exclusions (unaudited)	—	—	—	—	—	130,000
Balance at November 30, 2010	342,000	$1,717,695	21,127,395	$7,939,859	$5,381,826	$(4,183,000)

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CytoDyn Inc.
(A Development Stage Company)
Consolidated Statements of Changes in Shareholders' Equity (Deficit)
Period October 28, 2003 through November 30, 2010
Restated

	Treasury Stock		Treasury Stock	Stock for Prepaid		Accumulated During Development	
	Shares	Amount	APIC	Services	Accumulated Deficit	Stage	Total
Amortization of prepaid Stock for services	—	—	—	69,003	—	—	69,003
Series B Convertible Preferred stock issued For cash ($5.00/share)	—	—	—	—	—	—	—
Net Loss, ended May 31, 2010	—	—	—	—	—	(3,359,865)	(3,359,865)
Balance at May 31, 2010	(200,000)	$(100,000)	$313,080	$(49,288)	$(1,601,912)	$(11,638,694)	$(3,215,635)
Conversion of Series B Convertible Preferred Stock to Common Stock (unaudited)	—	—	—	—	—	—	—
Stock issued for services ($1.23/share) (unaudited)	—	—	—	—	—	—	184,500
Capital contribution (unaudited)	—	—	—	—	—	—	229,500
Stock issued for cash ($1.00/share)	—	—	—	—	—	—	—
Stock-based compensation (unaudited)	—	—	—	—	—	—	451,201
Rescission expirations and exclusions (unaudited)	—	—	—	—	—	—	130,000
Amortization of prepaid Stock for services (unaudited)	—	—	—	49,288	—	—	49,288
Net Loss, ended November 30, 2010 (unaudited)	—	—	—	—	—	(1,537,877)	(1,537,877)
Balance at November 30, 2010	(200,000)	$(100,000)	$313,080	—	$(1,601,912)	$(13,176,571)	$(3,709,023)

See accompanying notes to condensed consolidated financial statements.

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CytoDyn Inc.
(A Development Stage Company)
Consolidated Statements of Cash Flows
(Unaudited)

	Six months ended 11/30/2010	Six months ended 11/30/2009	October 28, 2003 through 11/30/2010
Cash flows from operating activities			
Net loss	$(1,537,877)	$(844,541)	(13,176,571)
Adjustments to reconcile net loss to net cash used by operating activities:			
Amortization / depreciation	1,349	1,046	179,318
Amortization of original issue discount	—	—	717,202
Extinguishment of debt	—	—	(337,342)
Purchased in process research and development	—	38,604	274,399
Stock-based compensation	684,989	155,950	5,219,010
Changes in current assets and liabilities:			
Prepaid expenses	(14,354)	(14,797)	(33,981)
Other assets	3,750	1,875	(20,225)
Accounts payable, accrued interest and accrued liabilities	65,841	13,850	585,037
Net cash used in operating activities	(796,302)	(648,013)	(6,593,153)
Cash flows from investing activities:			
Furniture and equipment purchases	(4,705)	(2,004)	(21,083)
Net cash used in investing activities	(4,705)	(2,004)	(21,083)
Cash flows from financing activities:			
Capital contributions by president	—	—	14,412
Proceeds from notes payable to related parties	—	—	705,649
Payments on notes payable to related parties	(5,000)	—	(165,498)
Proceeds from notes payable issued to individuals	—	—	145,000
Payments on notes payable issued to individuals	—	—	(34,500)
Proceeds from convertible notes payable	—	—	686,000
Proceeds from the sale of common stock	316,000	118,200	3,495,061
Proceeds from Series B preferred stock	—	625,000	2,009,000
Purchase of treasury stock	—	(336,000)	(436,000)
Proceeds from sale of treasury stock	—	277,000	559,210
Payments for offering costs	(112,760)	(173,300)	(910,156)
Proceeds from issuance of stock of AITI acquisition	—	—	512,200
Proceeds from issuance of stock of AGTI acquisition	—	—	100,000
Proceeds from exercise of warrants	—	—	28,350
Net cash provided by financing activities	198,240	510,900	6,708,728
Net change in cash	(602,767)	(139,117)	94,492
Cash, beginning of period	700,497	265,520	3,238
Cash, end of period	$ 97,730	$ 126,403	$ 97,730
Supplemental disclosure of cash flow information:			
Cash paid during the period for:			
Income taxes	$ —	$ —	—
Interest	$ 15,824	$ —	18,860

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CytoDyn Inc.
(A Development Stage Company)
Consolidated Statements of Cash Flows
(Unaudited)

	Six months ended 11/30/2010 (Restated)	Six months ended 11/30/2009 (Restated)	October 28, 2003 through 11/30/2010 (Restated)
Non-cash investing and financing transactions:			
Net assets acquired in exchange for common stock in CytoDyn/Rexray business combination	$ —	$ —	$ 7,542
Common stock issued to former officer to repay working capital advance	$ —	$ —	$ 5,000
Common stock issued for convertible debt	$ —	$ —	$ 662,000
Common stock issued for debt	$ —	$ 125,500	$ 245,582
Common stock issued for accrued interest payable	$ —	$ 20,956	$ 20,956
Common stock issued on payment of accounts payable	$ —	$ —	$ 49,000
Options to purchase common stock issued for debt	$ —	$ —	$ 62,341
Original issue discount and intrinsic value of beneficial conversion feature related to debt issued with warrants	$ —	$ 38,604	$ 719,266
Common stock issued for Series A preferred stock	$ —	$ 167,500	$ 167,500
Common stock issued for Series B preferred stock	$291,305	$ —	$ 291,305
Accrued salaries related party contributed as capital	$229,500	$ —	$ 229,500
Treasury stock issued for prepaid services	$ —	$ 118,291	$ 118,291
Series B Convertible Preferred stock dividends	$ 2,750	$ —	$ 2,750
Preferred and common stock subject to rescission	$186,000	$2,854,000	$ 4,183,000
Accrued stock incentive	$ —	$ 171,000	$ 1,180,000

See accompanying notes to condensed consolidated financial statements.

CYTODYN INC.
(A DEVELOPMENT STAGE COMPANY)
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
AS OF NOVEMBER 30, 2010
(UNAUDITED)

1 - Organization:

CytoDyn Inc. (the "Company") was incorporated under the laws of Colorado on May 2, 2002 under the name Rexray Corporation ("Rexray"). In October 2003, the Company (under its previous name RexRay Corporation) entered into an Acquisition Agreement with CytoDyn of New Mexico, Inc. Pursuant to the acquisition agreement, the Company acquired assets related to our leading drug candidate, Cytolin, including the assignment of the patent license agreement dated July 1, 1994 between CytoDyn of New Mexico, Inc. and Allen D. Allen covering three United States patents along with foreign counterpart patents which describe a method for treating HIV disease with the use of monoclonal antibodies. This includes issued U.S. Patent Nos. 5,424,066; 5,651,970 and 6,534,057, as well as European Patent Nos. 0690725 and 1438970. In addition, Hong Kong Patent No. 1067958, Australian Patent No. 684074 and Canadian Patent No. 2156495 have been obtained as well. The Company also acquired the federally registered trademarks, CYTODYN (U.S. Registration No. 2095498) and CYTOLIN (U.S. Registration No. 2095497), and a related trademark symbol. The license acquired gives the Company the worldwide, exclusive right to develop, market and sell compounds disclosed by the patent claims, practice methods taught by the patent claims, and exploit specified technology related to the patents. The term of the license agreement is for the life of the patents of which the first will expire in 2013. The original expiration dates on the issued U.S. Patent Nos. 5,424,066; 5,651,970 and 6,534,057 are 2013, 2014 and 2013, respectively. As consideration for the intellectual property and trademarks the Company paid CytoDyn of New Mexico $10,000 in cash and issued 5,362,640 post-split shares of common stock to CytoDyn of New Mexico.

The Company entered the development stage effective October 28, 2003 upon the reverse merger and recapitalization of the Company and follows Financial Standard Accounting Codification No. 915, Development Stage Entities.

Advanced Influenza Technologies, Inc. ("AITI") was incorporated under the laws of Florida on June 9, 2006 pursuant to an acquisition during 2006. This entity was administratively dissolved on September 25, 2009.

Advanced Genetic Technologies, Inc. ("AGTI") was incorporated under the laws of Florida on December 18, 2006 pursuant to an acquisition during 2006.

CytoDyn Inc., discovered and is developing a class of therapeutic monoclonal antibodies to address significant unmet medical needs in the areas of HIV and AIDS.

2 - Summary of Significant Accounting Policies:

Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") and reflect all adjustments, consisting solely of normal recurring adjustments, needed to fairly present the financial results for these periods. The condensed consolidated financial statements and notes are presented as permitted by Form 10-Q. Accordingly, certain information and note disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been omitted. The accompanying consolidated financial statements should be read in conjunction with the financial statements for the years ended May 31, 2010 and 2009 and notes thereto in the Company's Annual Report on Form 10-K/A for the year ended May 31, 2010, filed with the Securities and Exchange Commission on August 5, 2011. Operating results for the three and six months ended November 30, 2010 and 2009 are not necessarily indicative of the results that may be expected for the entire year. In the opinion of management, all adjustments consisting only of normal recurring adjustments necessary for a fair statement of (a) the results of operations for the three and six month periods ended November 30, 2010 and 2009 and the period October 28, 2003 through November 30, 2010, (b) the financial position at November 30, 2010, and (c) cash flows for the six month periods ended November 30, 2010 and 2009 and the period October 28, 2003 through November 30, 2010, have been made.

Principles of Consolidation

The consolidated financial statements include the accounts of CytoDyn Inc., and its wholly owned subsidiaries; AITI and AGTI. All intercompany transactions and balances are eliminated in consolidation.

Going Concern

The accompanying financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. As shown in the accompanying consolidated financial statements, the Company is currently in the development stage with losses for all periods presented. As of September 9, 2011 these factors, among others, raise substantial doubt about the Company's ability to continue as a going concern.

The consolidated financial statements do not include any adjustments relating to the recoverability of assets and classification of liabilities that might be necessary should the Company be unable to continue as a going concern. The Company's continuation as a going concern is dependent upon its ability to obtain additional operating capital, complete development of its medical treatment, obtain FDA approval, outsource manufacturing of the treatment, and ultimately to attain profitability. The Company intends to seek additional funding through equity offerings to fund its business plan. There is no assurance that the Company will be successful in these endeavors.

Use of Estimates

The preparation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Company considers all highly liquid debt instruments with original maturities of three months or less when acquired to be cash equivalents. The Company had no cash equivalents as of November 30, 2010 or May 31, 2010. The Company maintains its cash in bank deposit accounts, which at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts.

Furniture, Equipment and Depreciation

Furniture and equipment are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets, generally three to seven years. Maintenance and repairs are charged to expense as incurred and major improvements or betterments are capitalized. Gains or losses on sales or retirements are included in the consolidated statements of operations in the year of disposition.

Impairment of Long-Lived Assets

The Company evaluates the carrying value of any long-lived assets under U.S. GAAP, which requires impairment losses to be recorded on long-lived assets used in operations when indicators of impairment are present and the undiscounted future cash flows estimated to be generated by those assets are less than the assets' carrying amount. If such assets are impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying value or fair value, less costs to sell. There were no impairment charges for the three and six months ended November 30, 2010 and 2009, and for the period October 28, 2003 through November 30, 2010.

Research and Development

Research and development costs are expensed as incurred.

Financial Instruments

At November 30, 2010 and May 31, 2010, the carrying value of the Company's financial instruments approximate fair value due to the short-term maturity of the instruments. The Company's notes payable have market rates of interest, and accordingly, the carrying values of the notes approximates the fair value.

Stock-Based Compensation

U.S GAAP requires companies to measure the cost of employee services received in exchange for the award of equity instruments based on the fair value of the award at the date of grant. The expense is to be recognized over the period during which an employee is required to provide services in exchange for the award (requisite service period). U.S. GAAP provides for two transition methods. The "modified prospective" method requires that share-based compensation expense be recorded for any employee options granted after the adoption date and for the unvested portion of any employee options outstanding as of the adoption date. The "modified retrospective" method requires that, beginning upon adoption, all prior periods presented be restated to reflect the impact of share-based compensation expense consistent with the pro forma disclosures previously required under U.S. GAAP. The Company adopted the modified prospective method, and as a result, was not required to restate its financial results for prior periods.

The Company accounts for common stock options, and common stock warrants granted based on the fair market value of the instrument using the Black-Scholes option pricing model utilizing certain weighted average assumptions such as expected stock price volatility, term of the options and warrants, risk-free interest rates, and expected dividend yield at the grant date. The risk-free interest rate assumption is based upon observed interest rates appropriate for the expected term of the stock options. The expected volatility is based on the historical volatility of the Company's common stock at consistent intervals. The Company has not paid any dividends on its common stock since its inception and does not anticipate paying dividends on its common stock in the foreseeable future. The computation of the expected option term is based on the "simplified method" as the Company's stock options are "plain vanilla" options and the Company has a limited history of exercise data. For common stock options and warrants with graded vesting, the Company recognizes the related compensation costs associated with these options and warrants on the straight-line basis over the requisite service period.

U.S GAAP requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. Based on limited historical experience of forfeitures, the Company estimated future unvested option forfeitures at 0% as of November 30, 2010 and 2009.

Deferred Offering costs

In connection with a stock rescission liability as discussed at Note 3, the Company has incurred approximately $1,937,000 and $1,824,000 in deferred offering costs as of November 30, 2010 and May 31, 2010, respectively. These deferred offering costs have been recorded as a current asset for the respective periods. The asset will be offset against equity, and reduce equity in the period the investors described in Note 3 do not accept the rescission right and keep their shares. Conversely, if the investors accept the rescission right and forfeit their shares, the deferred offering costs will be expensed at that time.

Stock for Services

The Company issues common stock and common stock options to consultants for various services. Costs for these transactions are measured at the fair value of the consideration received or the fair value of the equity instruments issued, whichever is more reliably measurable. The value of the common stock is measured at the earlier of (i) the date at which a firm commitment for performance by the counterparty to earn the equity instruments is reached or (ii) the date at which the counterparty's performance is complete.

(Loss) Per Common Share

Basic (loss) per share is computed by dividing the net loss by the weighted average number of common shares outstanding during the period. Diluted (loss) per share is computed by dividing net (loss) by the weighted average common shares and potentially dilutive common share equivalents. The effects of potential common stock equivalents are not included in computations when their effect is anti-dilutive. Because of the net losses for all periods presented, the basic and diluted weighted average shares outstanding are the same since including the additional shares would have an anti-dilutive effect on the loss per share calculation. Common stock option and warrants to purchase 7,374,176 and 5,094,176 shares of common stock were not included in the computation of basic and diluted weighted average common shares outstanding for the three and six months ended November 30, 2010 and 2009, respectively, as inclusion would be anti-dilutive for these periods. Additionally, 342,000 shares of Series B convertible stock can potentially convert into 3,420,000 shares of restricted common stock.

Reclassification

Certain prior period amounts have been reclassified to comply with current period presentation.

3 - Restatement of Consolidated Financial Statements

On March 11, 2011, on management's recommendation, the Board of Directors of the Company concluded, and Pender Newkirk & Company LLP, the Company's independent auditors agreed, that the Company's financial statements for the period ending November 30, 2010 should no longer be relied upon and should be restated. The Company's board of directors was advised by outside legal counsel that compensation the Company previously paid to an employee and certain other non-employees who were acting as unlicensed, non-exempt broker-dealers soliciting investors on behalf of the Company from April 15, 2008 to February 18, 2011 was a violation of certain state and possibly federal securities laws. As a result, such investors and potentially others have rescission or monetary claims ("Claims") against the Company, and the Company's liability for these potential Claims is now being properly reflected in the Company's financial statements. On March 16, 2011, the Company filed a Current Report on Form 8-K disclosing the potential rescission liability (the "Liability Disclosure"). On July 21, 2011, the Company filed a Current Report on Form 8-K disclosing its receipt of an SEC letter of inquiry and request for voluntary assistance in discovering information related to the Liability Disclosure. We are cooperating with the SEC to provide all information required by this inquiry.

Rescission rights for individual investors and subscribers vary, based upon the laws of the states in which the investors or subscribers reside. Investments and subscriptions that are subject to rescission are recorded separately in our financial statements from stockholders' deficiency in the Company's balance sheet. As the statute of limitations expire in the respective states, such amounts for those shares are reclassified to stockholders' deficiency. Investors who have sold their shares of capital stock of the Company do not have rescission rights, but instead have claims for damages, to the extent their shares were sold at a net loss, which is determined by subtracting the purchase price plus statutory interest and costs (if any) from the sale price.

Based on the Company's ongoing investigation, assuming there are no affirmative defenses or exemptions available to the Company, investors may have up to approximately $6.4 million of federal and state Claims against the Company as of the date of filing this Form 10-Q/A. These investor Claims could include approximately $5.1 million of potential state or foreign jurisdiction Claims involving approximately 17 states and five foreign jurisdictions that are not currently barred by the applicable statute of limitations or state law exemptions from broker-dealer registration requirements and these investors may also have overlapping federal Claims; the remainder could involve investors who do not have state law Claims but who may have federal rescission or damages rights if such rights can be proven to exist because of the Company's failure to disclose contingent liabilities related to the state and foreign jurisdiction Claims. The Company is continuing with its scientific and business plans in the ordinary course and is currently seeking to obtain a Letter of Credit to provide the Company the financial ability with respect to any potential Claims. As of the date of this Form 10-Q/A, the Company has been notified by one Investor regarding such investor's intent to seek rescission in the amount of $10,000.

The Company estimates an amount that is a probable indicator of the rescission liability and will record rescission liabilities for November 30, 2010 and May 31, 2010 of $4,183,000 and $3,997,000, respectively. These amounts represent the believed potential rescission liability as of the dates presented. With the filing of this Form 10-Q/A, the Company is restating its previously issued financial statements to increase the Company's current liabilities based on the amounts of the above stated rescission liability and to correspondingly increase stockholders' deficit for the same amount.

The Company is considering methods to offer to rescind the previous investment purchase or subscription by persons who acquired or subscribed for such investments during the period April 15, 2008 to February 18, 2011. The Company may commence a rescission offer to give each investor the opportunity to rescind or not rescind their investment (if not already sold) or subscription agreements or by certain shareholders between April 15, 2008 to February 18, 2011. Any rescission offer could address all or part of the Company's rescission liability relating to its federal and state securities laws compliance issues by allowing the investors covered by the rescission offer to rescind the underlying securities transactions and sell those back to the Company or recover funding provided with subscription agreements, as the case may be.

The Company is evaluating its obligations under a seven year Personal Services Agreement dated August 4, 2008 (the "Contract"), with Nader Pourhassan pursuant to which compensation was paid or accrued in view of the subsequent determination that these payments violated applicable securities laws. Such violations gave rise to the Company's rescission obligation reflected in these financial statements. It is unclear at this point whether the Company has any defenses to payment, whether the Company has any rights to recover payments made to Mr. Pourhassan or others at his direction or as contemplated in the Contract (including payments in the form of securities); or whether, even if the Company does have such rights, Mr. Pourhassan (and perhaps others) would have certain equitable remedies that would entitle Mr. Pourhassan (and perhaps others) to set off against the Company's rights or would obligate the Company to make compensatory payments for services performed by Mr. Pourhassan (and others under his direction).

The Contract provides for compensation to Dr. Pourhassan at an annual salary of $200,000. Additionally, as incentive compensation, Dr. Pourhassan's personal assistant and one additional person are to receive 50,000 common shares each of Company stock for every $500,000 in capital received by the Company through Dr. Pourhassan's efforts. As of November 30, 2010 and May 31, 2010, respectively, the Company could potentially owe the two individuals referenced above common stock in the amount of 900,000 common shares, the cost of which is reflected as Accrued Stock Incentive Compensation at a cost of $ 1,180,000. We are restating our previously issued financial statements for the above-mentioned periods in the above referenced amounts to increase our liabilities of Accrued Stock Incentive Compensation and to correspondingly increase our assets to reflect the associated placement offering costs in connection with a stock rescission liability.

In addition, costs of $66,960, $112,760, $133,300, $173,300 and $756,639 which were originally reflected as consulting fees and payroll costs during the three and six months ended November 30, 2010 and 2009 and the period October 28, 2003 through November 30, 2010, respectively, have been reclassified to Deferred Offering Costs increasing our current assets, in connection with a stock rescission liability, and to correspondingly reduce our loss and deficit for those periods. With the filing of this Form 10-Q/A, the Company is restating its previously issued financial statements for the periods November 30, 2010 and 2009, to increase the Company's current liability to issue common stock based on the amounts provided in the Contract. However, the ultimate obligations or rights under the Contract is still being evaluated by the Company.

The following schedule illustrates the effects on the account reclassifications relating to the periods presented:

	Three months ended November 30		Six months ended November 30		October 28, 2003 through November 30, 2010
	2010	2009	2010	2009	
Net (loss) applicable to common shareholders, as previously reported	$(1,059,637)	$(694,612)	$(1,653,387)	$(1,017,841)	$ (19,935,960)
Adjustments to general and administrative expenses	66,960	133,300	112,760	173,300	756,639
Net (loss) applicable to common shareholders, as restated	$ (992,677)	$(561,312)	$(1,540,627)	$ (844,541)	$ (19,179,321)
Basic and diluted (loss) per share applicable to common shareholders, as previously reported	$ (.05)	$ (.04)	$ (.08)	$ (.05)	$ (1.64)
Basic and diluted (loss) per share applicable to common shareholders, as restated	$ (.05)	$ (.03)	$ (.08)	$ (.04)	$ (1.57)

	November 30, 2010	May 31, 2010
Current assets, as previously reported	$ 131,711	$ 720,124
Deferred offering costs in connection with a stock rescission liability	$ 1,936,639	$ 1,823,879
Current assets, as restated	$ 2,068, 350	$ 2,544,003
Current liabilities, as previously reported	$ 434,566	$ 373,725
Stock rescission liability	4,183,000	3,997,000
Accrued stock incentive compensation	1,180,000	1,180,000
Current liabilities, as restated	$ 5,797,566	$ 5,550,725
Total liabilities, as previously reported	$ 441,503	$ 610,162
Stock rescission liability	4,183,000	3,997,000
Accrued stock incentive compensation	1,180,000	1,180,000
Total liabilities, as restated	$ 5,804,503	$ 5,787,162
Total stockholders' (deficit) equity, as previously reported	$ (282,662)	$ $137,486
Common and preferred stock subject to rescission	(4,183,000)	(3,997,000)
Deficit accumulated during the development stage	756,639	643,879
Total stockholders' (deficit), as restated	$ (3,709,023)	$(3,215,635)

4 - Convertible Instruments:

In July 2009, the Company amended certain promissory notes into convertible notes that can be converted into shares of common stock. The notes had a fixed conversion price of $.45 per share. During the six months ended November 30, 2009, $146,456 in notes and accrued interest converted into 325,458 shares of common stock. At the commitment date, the conversion option associated with the notes was deemed to have a beneficial conversion feature (BCF), and the Company recorded a BCF of $38,604 as a debt discount and corresponding increase to additional paid-in capital. For the three and six months ended November 30, 2009, the Company recorded $-0- and $38,604 in interest expense as the debt discount was fully amortized upon the conversion of the notes into common stock.

In June, 2009, an investor converted 100,000 shares of Series A Preferred stock into 2,356,142 shares of restricted common stock. At the commitment date, there was no beneficial conversion feature associated with the convertible preferred stock, and accordingly, no constructive dividend was recorded by the Company.

During fiscal year 2010 the Company issued 400,000 shares of Series B Convertible Preferred Stock (Series B) at $5.00 per share for cash proceeds totaling $2,009,000, and incurred approximately $240,000 in offering costs in connection with a stock rescission liability that are recorded as a current asset. Additionally, the Company accrued approximately $642,000 in accrued stock compensation cost that were recorded as deferred offering costs in connection with a stock rescission liability that are recorded as a current asset (See Note 3). During the six months ended November 30, 2010, 58,000 shares of the Series B were converted into 580,000 shares of common stock. The Series B is convertible into ten shares of the Company's common stock including any accrued dividend, with an effective fixed conversion price of $.50 per share. The holders of the Series B can only convert their shares to common shares provided the Company has sufficient authorized common shares at the time of conversion. Accordingly, the conversion option is contingent upon the Company increasing their authorized common shares, which occurred April 2010 when the Company's shareholders approved an increase to the authorized shares. At the commitment date, which occurred upon the shareholders approving the increase in the authorized shares, the conversion option related to the Series B was beneficial. The intrinsic value of the conversion option at the commitment date resulted in a constructive dividend to the Series B holders of approximately $6,000,000. The constructive dividend increased and decreased additional paid-in capital by the same amount. The Series B has liquidation preferences over the common share holders at $5.00 per share plus any accrued dividends. Dividends are payable to the Series B holders when declared by the board of directors at the rate of $0.25 per share per annum. Such dividends are cumulative and accrue whether or not declared and whether or not there are any profits, surplus or other funds or assets of the Company legally available therefore. The Series B holders have no voting rights.

5 - Equity:

The Company has one stock-based equity plan at November 30, 2010. The 2004 Stock Incentive Plan as amended (the "Plan") was authorized to issue options and warrants to purchase up to 7,600,000 shares of the Company's common stock. As of November 30, 2010, the Company had 3,373,878 shares available for future stock option grants under the Plan.

During the six months ended November 30, 2010 and 2009 the Company granted -0- and 118,200 warrants (which were not granted under the Plan) with an exercise price of $1.00, immediate vesting, and expiration date of five years from the date of grant. The warrants were issued in conjunction with the issuance of common stock to certain investors pursuant to a private placement, which entitled the investors to one common stock warrant for each dollar of common stock purchased. Accordingly, these warrants were not valued in the above Black-Scholes model.

Net cash proceeds from the exercise of stock options and warrants were $0 for the three and six months ending November 30, 2010 and 2009, respectively. Compensation expense related to stock options and warrants was approximately $218,000, and $68,000 for the three months ended November 30, 2010 and 2009, respectively, and $451,000 and $146,000 for the six months ended November 30, 2010 and 2009, respectively.

The grant date fair value of options vested during the six month periods ended November 30, 2010 and 2009 was approximately $451,000 and $140,000, respectively. The weighted average grant date fair value of options and warrants granted during the six month periods ended November 30, 2010 and 2009 was $.90 and $-0-, respectively. As of November 30, 2010 there was approximately $1,805,000 of unrecognized compensation costs related to share-based payments for unvested options, which is expected to be recognized over a weighted average period of 2.33 years.

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The following table represents stock option and warrant activity as of and for the six months ended November 30, 2010:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value
Options and warrants outstanding - May 31, 2010	7,660,176	$ 1.42	5.41	$ 2,761,129
Granted	25,000	$ 1.20		
Exercised	—			
Forfeited/expired/cancelled	(311,000)	$ 1.64		
Options and warrants outstanding - November 30 2010	7,374,176	$ 1.41	3.71	$ 1,197,327
Outstanding exercisable - November 30, 2010	6,095,287	$ 1.30	3.76	$ 1,197,327

During the three months ended November 30, 2009, the Company reissued 81,500 shares of treasury stock for certain consulting services at $1.45 per share, which represented the fair market value of the Company's common stock at the commitment date. The prepaid stock services are amortized over the life of the consulting agreement, and during three months ended November 30, 2010 and 2009, the Company recognized approximately $30,000 and $10,000 in consulting expense related to this consulting agreement. For the six months ended November 30, 2010 and 2009, the Company recognized approximately $50,000 and $10,000 in consulting expense related to the agreement.

During the three months ended November 30, 2010, the Company issued 150,000 shares of common stock at $1.23 per share to an executive of the Company for past services. The Company recognized approximately $184,000 in compensation expense based on the fair market value of the Company's common stock at the issuance date, which was November 16, 2010.

6 - Related Party Transactions:

A director provided legal services to the Company over the past several years. As of November 30, 2010, the Company owed the director $38,985 and it is included in the accompanying consolidated financial statements as "indebtedness to related parties" as of November 30, 2010. As of November 30, 2010 no arrangements had been made for the Company to repay the balance of this obligation. The amount has been classified as short-term, as the amount is payable on demand. The Company anticipates that the director will continue to provide legal services in the future.

In July 2010, three of the Company's executives forgave approximately $230,000 in accrued salaries that are included as additional paid-in capital as of November 30, 2010.

In May and July 2007, the Company issued $150,000 in promissory notes with a stated interest rate of 14% to a director of the Company, and a maturity date of six months from the issuance date. The notes have no stated maturity, and are essentially payable upon demand. Accordingly, the Company has classified the balance of $110,000 at November 30, 2010 as short-term obligation.

7 - Subsequent Events:

On December 6, 2010 the Company issued 500,000 stock options to the newly elected Chief Executive Officer at an exercise price of $1.19. The options vest 25% upon first year anniversary and 6.25% vest each following quarter.

On May 24, 2011, the Company and The General Hospital Corporation, d/b/a/ Massachusetts General Hospital ("MGH") entered into an amendment to their September 28, 2009 Clinical Trial Agreement to extend the original study entitled, "An observational study to determine the in-vitro immunologic and virology activity of Cytolin". The Amendment enables MGH Principal Investigator Eric Rosenberg, M.D. to further explore his initial findings regarding the potential mechanism of action of Cytolin to treat HIV-positive adults. The Company has agreed to pay MGH the remaining unpaid balance of $291,590 of the total research grant of $865,375 over the next six months, at which point the Company currently anticipates the extended study will be complete, although there is not a contractual obligation to do so in that timeframe.

On June 22, 2011, the Company was notified by the Securities and Exchange Commission of certain inquiries regarding activities related to fund-raising activities of a certain Company officer. The Company is fully cooperating in responding to this inquiry. At this time, we are not able to estimate the results or costs associated with this inquiry.

On August 9, 2011, four directors of the Company were granted 50,000 common stock options each at an exercise price of $2.00 per share, which represented the fair market value of the Company's common stock at the August 9, 2011 grant date. The options expire on August 8, 2016, and vest in quarterly increments over one year from the grant date.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

THROUGHOUT THIS FILING, WE MAKE FORWARD-LOOKING STATEMENTS. THE WORDS "ANTICIPATE," "BELIEVE," "EXPECT," "INTEND," "PREDICT," "PLAN," "INTEND," "SEEK," "ESTIMATE," "PROJECT," "WILL," "CONTINUE," "COULD," "MAY," AND SIMILAR TERMS AND EXPRESSIONS ARE INTENDED TO IDENTIFY FORWARD-LOOKING STATEMENTS. THESE STATEMENTS INCLUDE, AMONG OTHERS, INFORMATION REGARDING FUTURE OPERATIONS, FUTURE CAPITAL EXPENDITURES, AND FUTURE NET CASH FLOWS. SUCH STATEMENTS REFLECT THE COMPANY'S CURRENT VIEWS WITH RESPECT TO FUTURE EVENTS AND FINANCIAL PERFORMANCE AND INVOLVE RISKS AND UNCERTAINTIES, INCLUDING, WITHOUT LIMITATION, GENERAL ECONOMIC AND BUSINESS CONDITIONS, CHANGES IN FOREIGN, POLITICAL, SOCIAL, AND ECONOMIC CONDITIONS, REGULATORY INITIATIVES AND COMPLIANCE WITH GOVERNMENTAL REGULATIONS, THE ABILITY TO ACHIEVE MARKET PENETRATION AND ATTRACT CUSTOMERS, AND VARIOUS OTHER MATTERS, MANY OF WHICH ARE BEYOND THE COMPANY'S CONTROL. SHOULD ONE OR MORE OF THESE RISKS OR UNCERTAINTIES OCCUR, OR SHOULD UNDERLYING ASSUMPTIONS PROVE TO BE INCORRECT, ACTUAL RESULTS MAY VARY MATERIALLY AND ADVERSELY FROM THOSE ANTICIPATED, BELIEVED, ESTIMATED, OR OTHERWISE INDICATED. CONSEQUENTLY, ALL OF THE FORWARD-LOOKING STATEMENTS MADE IN THIS FILING ARE QUALIFIED BY THESE CAUTIONARY STATEMENTS AND THERE CAN BE NO ASSURANCE OF THE ACTUAL RESULTS OR DEVELOPMENTS.

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the other sections of this Quarterly Report, including our financial statements and related notes appearing elsewhere herein. This discussion and analysis contains forward-looking statements including information about possible or assumed results of our financial conditions, operations, plans, objectives and performance that involve risk, uncertainties and assumptions. The actual results may differ materially from those anticipated and set forth in such forward-looking statements.

Results of Operations

Results of Operations for the three months ended November 30, 2010 and 2009 are as follows:

For the three months ended November 30, 2010 and 2009 we had no activities that produced revenues from operations.

For the three months ended November 30, 2010, we had a net loss of approximately $(990,000) compared to a net loss of approximately $(561,000) for the corresponding period in 2009. For the three months ended November 30, 2010 and 2009, we incurred operating expenses of approximately $(985,000) and $(555,000) consisting primarily of consulting expense, stock-based compensation, professional fees, research and development and salaries.

The increase in operating expenses of approximately $430,000 from the three-month period ended November 30, 2009 compared to the three months ended November 30, 2010 related primarily to increases in stock-based compensation, salaries, research and development expenses, and accounting fees, offset by decreases in consulting expenses. Stock-based compensation increased during the current period with the significant grant of stock options in the fourth quarter of fiscal year 2010, coupled with the stock issued to an executive of the Company during the second quarter of 2011. We expect the trend in stock-based compensation to increase during fiscal year 2011. Research and development expenses are associated with the development of our lead product, Cytolin(R). As discussed above, we are currently in clinical trials with our product. We expect the trend in research and development expenses to increase as our product progresses through clinical trials. Accounting fees have increased during the current quarter compared to previous quarter as a result of the increase in our external filings. We expect the trend to stabilize, as our filings become more consistent. Salaries increased with the migration from part-time employees to full-time employees. This directly impacted the decrease in consulting expense, as we have utilized salaried employees in-lieu of consultants. The trend in all of our expenses will depend on our ability to raise additional funds.

Results of Operations for the six months ended November 30, 2010 and 2009 are as follows:

For the six months ended November 30, 2010 and 2009 we had no activities that produced revenues from operations.

For the six months ended November 30, 2010, we had a net loss of approximately $(1,538,000) compared to a net loss of approximately $(845,000) for the corresponding period in 2009. For the six months ended November 30, 2010 and 2009, we incurred operating expenses of approximately $(1,529,000) and $(791,000), respectively, consisting primarily of stock-based compensation, research and development, salaries, and accounting fees. The increase in operating expenses of approximately $738,000 from the six month period November 30, 2009 compared to six months ended November 30, 2010 related primarily to increases in stock-based compensation, research and development, salaries, and accounting fees, offset by decreases in consulting expenses. The increase in salaries relates to certain employees migrating from part-time status to full time status during fiscal year 2010. We granted a significant number of common stock options during the fourth quarter of 2010, which included common stock options with vesting over a three year period. As a result, stock-based compensation will increase during fiscal year 2011 relative to the 2010 comparable quarters. Additionally, we expect salary expense and research and development expenses to increase in the future, as our clinical trials progress. However, increases in salary expense, as well as research and development expenditures will be contingent upon our ability to obtain the necessary financing going forward.

Rescission Liability

We recorded rescission liabilities for November 30, 2010 and May 31, 2010 of $4,183,000 and $3,997,000, respectively. These amounts represent the believed potential rescission liability as of the dates presented. With the filing of this Form 10-Q/A, we are restating our previously issued financial statements for the above-mentioned periods to increase our current liabilities based on the amounts of the above stated rescission liability and to correspondingly increase stockholders' deficit for the same amount. See Footnote 3 of our Financial Statements on page 24 for further information regarding these rescission liabilities.

Accrued Incentive Stock Compensation

On August 4, 2008, we entered into a seven year Personal Services Agreement with Nader Pourhassan (the "Contract"). The Contract provides for compensation to Dr. Pourhassan at an annual salary of $200,000. Additionally, as incentive compensation, Dr. Pourhassan's personal assistant and one additional person are to receive 50,000 common shares each of our common stock for every $500,000 in capital received by us through Dr. Pourhassan's efforts. As of November 30, 2010 and May 31, 2010, respectively, we could potentially owe the two individuals referenced above common stock in the amount of 900,000 common shares, the cost of which is reflected as Accrued Stock Incentive Compensation at a cost of $1,180,000. We are restating our previously issued financial statements for the above-mentioned periods in the above referenced amounts to increase our liabilities of Accrued Stock Incentive Compensation and to correspondingly increase our assets to reflect the associated deferred offering costs in connection with a stock rescission liability. In addition, costs of approximately $757,000 and $644,000 as of November 30, 2010 and May 31, 2010, respectively, which were originally reflected as consulting fees and payroll costs during fiscal years 2010 and 2009, respectively, have been reclassified to deferred offering costs in connection with a stock rescission liability, and to correspondingly reduce our loss and deficit for those years. With the filing of this Form 10-Q/A, we are restating our previously issued financial statements for the three month periods ending on November 30, 2010 and November 30, 2009, to increase our current liability to issue common stock based on the amounts provided in the Contract. However, the ultimate decision on issues relating to the Contract, as referenced above, is still being evaluated by us. See Footnote 3 of our Financial Statements on page 24 for further information.

Liquidity and Capital Resources

On November 30, 2010, we had working capital deficit of approximately $(3,729,000) as compared to a negative working capital of approximately $(3,007,000) on May 31, 2010.

Cash Flows

Cash used in operating activities of approximately $(796,000) during the six months ended November 30, 2010 increased approximately $148,000 from approximately $(648,000) for the six months ended November 2009. The increase in the cash used in operating activities for the above periods was primarily attributable to the following:

- Net loss increased approximately $693,000.

The above increases were partially offset by the following:

- Stock-based compensation increased approximately $529,000 from 2009 to 2010.
- Accounts payable, accrued interest payable, and accrued liabilities increased approximately $52,000.

There were no material changes in cash flows from investing activities from 2009 to the comparable period in 2010.

Cash flows provided by financing activities of approximately $198,000 during the six months ended November 30, 2010 decreased approximately $313,000 from approximately $511,000 during 2009. The decrease in cash provided by financing activities for the above periods was attributable primarily to the decrease in proceeds from preferred stock issuances and treasury stock proceeds.

As shown in the accompanying Financial Statements, for the six months ended November 30, 2010 and 2009, and since October 28, 2003 through November 30, 2010 the Company has had net losses of approximately $(1,538,000) and $(845,000) and $(13,176,000), respectively. As of November 30, 2010, the Company has not emerged from the development stage. In view of these matters, the Company's ability to continue as a going concern is dependent upon the Company's ability to begin operations and to achieve a level of profitability. Since inception, the Company has financed its activities principally from the sale of public equity securities and proceeds from notes payable. The Company intends on financing its future development activities and its working capital needs largely from the sale of its securities with some additional funding from other traditional financing sources.

As previously mentioned, since October 28, 2003, we have financed our operations largely from the sale of common stock and proceeds from notes payable. From inception through November 30, 2010 we raised cash of approximately $5,765,000 from (net of offering costs) common stock and preferred stock financings and approximately $1,537,000 through the issuance notes payable

Since October 28, 2003 through November 30, 2010, we have incurred $2,002,000 of research and development costs and approximately $12,670,000 in operating expenses.

We have incurred significant net losses and negative cash flows from operations since our inception. As of November 30, 2010, we had an accumulated deficit of approximately $(14,778,000) and negative working capital of approximately $(3,729,000).

We anticipate that cash used in product development and operations, especially in the marketing, production and sale of our products will increase significantly in the future.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors.

Rescission Liability

The Company has recorded rescission liabilities of $4,183,000 as of November 30, 2010. These amounts represent the believed potential rescission liability as of the dates presented. With the filing of this Form 10-Q/A, the Company is restating its previously issued financial statements for the above-mentioned periods to increase the Company’s current liabilities based on the amounts of the above stated rescission liability and to correspondingly increase stockholders’ deficit for the same amount.

Item 3. Quantitative and Qualitative Disclosures about Market Risk.

Not applicable.

Item 4. Controls and Procedures.

Disclosure Controls and Procedures

As of November 30, 2010, under the supervision and with the participation of the Company’s Chief Executive Officer and Chief Financial Officer, management has evaluated the effectiveness of the design and operations of the Company’s disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) under the Exchange Act) as of November 30, 2010. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company’s disclosure controls and procedures were not effective as of November 30, 2010 as a result of the material weakness in internal control over financial reporting because of inadequate segregation of duties over authorization, review and recording of transactions as well as the financial reporting of such transactions. Management is attempting to develop a plan to mitigate the above material weaknesses. Despite the existence of these material weaknesses, we believe the financial information presented herein is materially correct and in accordance with generally accepted accounting principles.

Internal Control Over Financial Reporting

Changes in Control Over Financial Reporting

No change in the Company’s internal control over financial reporting occurred during the quarter ended November 30, 2010, other than those described above that materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting.

PART II

Item 1. Legal Proceedings.

None.

Item 1A. Risk Factors.

Not Applicable.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

During the three months ended November 30, 2010, the Company sold 250,000 shares of restricted common stock at $1.00 per share. Additionally, the Company issued 150,000 shares at $1.23 per share in exchange for services rendered. In connection with the sales and issuance, the Company relied on the exemption provided by Section 4(2) of the Securities Act of 1933, as amended and Rule 506 under the Act.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Removed and reserved.

Not Applicable.

Item 5. Other Information.

None.

Item 6. Exhibits and Reports on Form 8-K.

(a) Exhibits:

3.1	Articles of Incorporation (incorporated herein by reference to Exhibit 3.1 on Form 10SB12G Registration of Securities for Small Business Issuers filed July 11, 2002).
3.2	Amendment to the Articles of Incorporation dated October 28, 2003 (incorporated herein by reference to filed Exhibit 3.3 on Form 8-K filed November 12, 2003).
3.3	Amendment to Articles of Incorporation dated September 2009 (incorporated herein by reference to Exhibit 3.4 to Form 10-K filed March 12, 2010).
3.4	Amendment to Articles of Incorporation dated April 29, 2010 (incorporated herein by reference to Exhibit 3.5 On Form 8-K filed April 29, 2010).
3.5	Amended and Restated Bylaws (incorporated by reference herein to Exhibit 3.1 filed with Form 8-K Current Report filed June 7, 2011).
31.1	Rule 13a-14(a)/15d-14(a) Certification by the CEO of the Registrant.
31.2.	Rule 13a-14(a)/15d-14(a) Certification by the CFO of the Registrant.

32.1. Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, of the CEO of the Registrant.

32.2. Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 of the CFO of the Registrant.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CYTODYN INC.
(Registrant)

DATE: September 9, 2011

BY: /s/ Kenneth J. Van Ness
Kenneth J. Van Ness
President and Chief Executive Officer

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EXHIBIT INDEX

Exhibit No.	Description
3.1	Articles of Incorporation (incorporated herein by reference to Exhibit 3.1 on Form 10SB12G Registration of Securities for Small Business Issuers filed July 11, 2002).
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32.2.	Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 of the CFO of the Registrant.

Exhibit 31.1

Certification of Chief Executive Officer

I, Kenneth J. Van Ness, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q/A of CytoDyn Inc.;

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

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

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

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

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

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

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

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

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

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

Date: September 9, 2011

By: /s/ Kenneth J. Van Ness
Name: Kenneth J. Van Ness
Title: President and Chief Executive Officer

Exhibit 31.2

Certification of the Chief Financial Officer

I, Andrew T. Libby, Jr., certify that:

1. I have reviewed this Quarterly Report on Form 10-Q/A of CytoDyn Inc.;

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

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

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

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

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

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

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

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

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

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

Date: September 9, 2011

By: /s/ Andrew T. Libby, Jr.
Name: Andrew T. Libby, Jr.
Title: Chief Financial Officer

Exhibit 32.1

Certification of the Chief Executive Officer

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of CytoDyn Inc. (the "Company") on Form 10-Q/A for the fiscal quarter ended November 30, 2010 as filed with the Securities and Exchange Commission on the date hereof (the "Form 10-Q/A"), I, Kenneth J. Van Ness, President and Chief Executive Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that based on my knowledge:

(1) The Form 10-Q/A fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and

(2) The information contained in the Form 10-Q/A fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: September 9, 2011

By: /s/ Kenneth J. Van Ness
Name: Kenneth J. Van Ness
Title: President and Chief Executive Officer

Exhibit 32.2

Certification of the Chief Financial Officer

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of CytoDyn Inc. (the "Company") on Form 10-Q/A for the fiscal quarter ended November 30, 2010 as filed with the Securities and Exchange Commission on the date hereof (the "Form 10-Q/A"), I, Andrew T. Libby, Jr., Chief Financial Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that based on my knowledge:

(1) The Form 10-Q/A fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and

(2) The information contained in the Form 10-Q/A fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: September 9, 2011

By: /s/ Andrew T. Libby, Jr.
Name: Andrew T. Libby, Jr.
Title: Chief Financial Officer