

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, DC 20549

FORM 10-Q

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

For the quarterly period ended February 28, 2013

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
(State or other jurisdiction of
incorporation or organization)

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

5 Centerpointe Drive, Suite 400
Lake Oswego, Oregon
(Address of principal executive offices)

97035
(Zip Code)

(Registrant's telephone number, including area code) **(971) 204-0382**

(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 April 1, 2013, there were 30,893,149 shares outstanding of the registrant's no par value common stock.

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CytoDyn Inc.
(A Development Stage Company)
Consolidated Balance Sheets

	February 28, 2013 (unaudited)	May 31, 2012
Assets		
Current assets:		
Cash	\$ 412,049	\$ 284,991
Prepaid expenses	105,263	65,982
Deferred offering costs	423,486	677,327
Total current assets	940,798	1,028,300
Furniture and equipment, net	—	800
Intangibles	3,500,000	—
Intangibles—Other	38,828	41,735
	<u>\$ 4,479,626</u>	<u>\$ 1,070,835</u>
Liabilities and Shareholders' Equity (Deficit)		
Current liabilities:		
Accounts payable	\$ 899,869	\$ 831,336
Accrued liabilities	148,900	150,573
Indebtedness to related parties	—	74,493
Accrued interest payable	124,104	40,618
Accrued compensation	413,484	189,249
Stock rescission liability	2,344,000	3,749,000
Total current liabilities	3,930,357	5,035,269
Long-term liabilities		
Investor convertible notes payable, net	667,571	—
Notes payable	9,000	9,000
Total liabilities	4,606,928	5,044,269
Shareholders' equity (deficit):		
Series B convertible preferred stock, no par value; 400,000 shares authorized, 95,100 and 98,900 shares issued and outstanding at February 28, 2013 and May 31, 2012, respectively	363,497	451,993
Common stock, no par value; 100,000,000 shares authorized, 30,745,671 and 28,636,530 outstanding at February 28, 2013 and May 31, 2012, respectively; 30,945,671 and 28,836,530 issued at February 28, 2013 and May 31, 2012, respectively	16,423,954	15,150,261
Additional paid-in capital	16,754,072	8,020,533
Common stock payable	12,500	388,000
Common and preferred stock subject to rescission	(2,344,000)	(3,749,000)
Treasury stock, at cost, 200,000 shares held at February 28, 2013 and May 31, 2012, respectively	(100,000)	(100,000)
Additional paid-in capital – treasury stock	279,952	299,297
Accumulated deficit on unrelated dormant operations	(1,601,912)	(1,601,912)
Accumulated deficit during development stage	(29,915,365)	(22,832,606)
Total shareholders' equity (deficit)	<u>(127,302)</u>	<u>(3,973,434)</u>
	<u>\$ 4,479,626</u>	<u>\$ 1,070,835</u>

See accompanying notes to consolidated financial statements.

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

	Three Months Ended		Nine Months Ended		October 28, 2003 through February 28, 2013
	February 28,	February 29,	February 28,	February 29,	
	2013	2012	2013	2012	
Operating expenses:					
General and administrative	\$ 1,352,515	\$ 1,073,431	\$ 5,120,807	\$ 2,725,617	\$ 21,582,699
Amortization & depreciation	3,109	391	3,934	1,621	186,796
Research and development	33,370	71,500	254,825	414,139	3,014,320
Legal fees	233,744	269,603	698,974	923,968	3,589,605
Total operating expenses	<u>1,622,738</u>	<u>1,414,925</u>	<u>6,078,540</u>	<u>4,065,345</u>	<u>28,373,420</u>
Operating loss	(1,622,738)	(1,414,925)	(6,078,540)	(4,065,345)	(28,373,420)
Interest income	697	—	1,015	—	2,642
Gain on settlement of accounts payable	322,333	—	372,759	—	710,101
Interest expense:					
Amortization of debt discount	(977,258)	—	(1,234,571)	—	(1,234,571)
Interest on debt	(82,141)	(2,922)	(143,422)	(16,692)	(1,020,117)
Loss before income taxes	<u>(2,359,107)</u>	<u>(1,417,847)</u>	<u>(7,082,759)</u>	<u>(4,082,037)</u>	<u>(29,915,365)</u>
Provision for taxes on income	—	—	—	—	—
Net loss	<u>\$ (2,359,107)</u>	<u>\$ (1,417,847)</u>	<u>\$ (7,082,759)</u>	<u>\$ (4,082,037)</u>	<u>\$ (29,915,365)</u>
Constructive preferred stock dividends	\$ —	\$ —	\$ —	\$ —	\$ (6,000,000)
Convertible preferred stock dividends	\$ (790)	\$ (67,293)	\$ (2,190)	\$ (67,293)	\$ (99,483)
Net loss applicable to common shareholders	<u>\$ (2,359,897)</u>	<u>\$ (1,485,140)</u>	<u>\$ (7,084,949)</u>	<u>\$ (4,149,330)</u>	<u>\$ (36,014,848)</u>
Basic and diluted loss per share	<u>\$ (0.08)</u>	<u>\$ (0.06)</u>	<u>\$ (0.24)</u>	<u>\$ (0.18)</u>	<u>\$ (2.33)</u>
Basic and diluted weighted average common shares outstanding	<u>30,229,176</u>	<u>25,448,777</u>	<u>29,670,735</u>	<u>23,331,326</u>	<u>15,441,958</u>

See accompanying notes to consolidated financial statements.

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

	Nine Months Ended		October 28, 2003
	February 28, 2013	February 29, 2012	through February 28, 2013
Cash flows from operating activities			
Net loss	\$(7,082,759)	\$(4,082,037)	\$ (29,915,365)
Adjustments to reconcile net loss to net cash used by operating activities:			
Amortization & depreciation	3,934	1,621	186,796
Loss on disposal of furniture and equipment	—	2,853	3,146
Amortization of original issue discount	1,234,571	2,063	1,953,836
Gain on settlement of accounts payable	(372,759)	—	(710,101)
Purchased in-process research and development	—	—	274,399
Stock-based compensation	3,025,777	1,362,665	11,603,175
Changes in current assets and liabilities:			
(Increase) decrease in prepaid expenses	(39,281)	22,649	(105,263)
(Increase) decrease in other assets	2,907	(28,153)	(38,828)
Increase (decrease) in accounts payable, accrued interest and accrued liabilities	831,545	(166,498)	2,342,777
Net cash used in operating activities	<u>(2,396,065)</u>	<u>(2,884,837)</u>	<u>(14,405,428)</u>
Cash flows from investing activities:			
Asset acquisition of intangibles	(3,500,000)	—	(3,500,000)
Furniture and equipment purchases	(3,135)	—	(24,218)
Net cash used in investing activities	<u>(3,503,135)</u>	<u>—</u>	<u>(3,524,218)</u>
Cash flows from financing activities:			
Capital contributions by president	—	—	15,748
Proceeds from notes payable to related parties	—	—	705,649
Preferred stock dividends	—	(1,500)	(1,500)
Payments on indebtedness to related parties	(74,492)	(74,492)	(314,482)
Proceeds from notes payable issued to individuals	—	—	145,000
Payments on notes payable issued to individuals	—	—	(34,500)
Proceeds from convertible notes payable	5,908,250	—	6,594,250
Proceeds from the sale of common stock	—	3,386,024	8,966,072
Proceeds from Series B convertible preferred stock	—	—	2,009,000
Purchase of treasury stock	—	—	(436,000)
Proceeds from sale of treasury stock	—	—	559,210
Deferred offering costs	—	—	(1,029,940)
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 and stock options	192,500	316,900	547,750
Net cash provided by financing activities	<u>6,026,258</u>	<u>3,626,932</u>	<u>18,338,457</u>
Net change in cash	127,058	742,095	408,811
Cash, beginning of period	284,991	1,037,818	3,238
Cash, end of period	<u>\$ 412,049</u>	<u>\$ 1,779,913</u>	<u>\$ 412,049</u>
Supplemental disclosure of cash flow information:			
Cash paid during the period for:			
Income taxes	\$ —	\$ —	\$ —
Interest	<u>\$ 55,731</u>	<u>\$ 4,026</u>	<u>\$ 28,055</u>

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

	Nine Months Ended		October 28, 2003
	February 28, 2013	February 29, 2012	through February 28, 2013
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	\$ 567,000	\$ —	\$ 1,229,000
Common stock issued for debt	\$ —	\$ —	\$ 245,582
Common stock issued for accrued interest payable	\$ 4,205	\$ —	\$ 25,161
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	\$ 5,908,250	\$ —	\$ 6,516,516
Common stock issued for preferred stock	\$ —	\$ —	\$ 167,500
Treasury stock issued for prepaid services	\$ —	\$ —	\$ 118,291
Common stock issued on settlement of accounts payable	\$ 80,000	\$ —	\$ 129,000
Preferred and common stock subject to rescission	\$ 1,405,000	\$ 717,000	\$ 2,344,000
Amortization of deferred offering costs related to rescission liability	\$ 253,841	\$ 182,198	\$ 452,938
Common stock issued for Series B convertible preferred stock	\$ 19,000	\$ 835,000	\$ 1,526,484
Series B convertible preferred stock dividends	\$ 2,190	\$ 67,293	\$ 99,483
Accrued salaries related party contributed as capital	\$ —	\$ —	\$ 229,500
Stock subscription receivable for options exercised	\$ —	\$ —	\$ 63,600
Constructive dividend	\$ —	\$ —	\$ 6,000,000

See accompanying notes to consolidated financial statements.

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CYTODYN INC.
(A DEVELOPMENT STAGE COMPANY)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS OF FEBRUARY 28, 2013
(UNAUDITED)

Note 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 one of the Company's drug candidates, 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 Human Immunodeficiency Virus ("HIV") disease with the use of monoclonal antibodies.

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

CytoDyn Inc. discovered and is developing a class of therapeutic monoclonal antibodies to address significant unmet medical needs in the areas of HIV and Acquired Immune Deficiency Syndrome ("AIDS").

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

On May 16, 2011, the Company formed a wholly owned subsidiary, CytoDyn Veterinary Medicine LLC ("CVM"), which explores the possible application of the Company's existing proprietary monoclonal antibody technology to the treatment of Feline Immunodeficiency Virus ("FIV"). The Company views the formation of CVM and the exploration of the application of its existing proprietary monoclonal antibody technology to FIV as an effort to strategically diversify the use of its proprietary monoclonal antibody technology.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The accompanying consolidated financial statements are unaudited and 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 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 fiscal years ended May 31, 2012 and 2011 and notes thereto in the Company's Annual Report on Form 10-K for the fiscal year ended May 31, 2012, filed with the Securities and Exchange Commission on August 21, 2012. Operating results for the three and nine months ended February 28, 2013 and February 29, 2012 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 nine month periods ended February 28, 2013 and February 29, 2012 and the period October 28, 2003 through February 28, 2013, (b) the financial position at February 28, 2013, and (c) cash flows for the nine month periods ended February 28, 2013 and February 29, 2012 and the period October 28, 2003 through February 28, 2013, have been made.

Principles of Consolidation

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

Reclassifications

Certain prior year amounts shown in the accompanying consolidated financial statements have been reclassified to conform to the fiscal 2012 presentation. These reclassifications did not have any effect on total current assets, total assets, total current liabilities, total liabilities, total shareholders' equity (deficit), or net loss.

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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. The Company incurred a net loss of \$7,082,759 for the nine months ended February 28, 2013, has an accumulated deficit of \$31,517,277, and a working capital deficit of \$2,989,559 as of February 28, 2013. 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 one or more of its drug therapies, obtain U.S. Food & Drug Administration ("FDA") approval, outsource manufacturing of each such approved drug therapy, and ultimately to attain profitability. The Company intends to seek additional funding through debt and equity offerings to fund its business plan. There can be no assurance, however, that the Company will be successful in these endeavors.

Use of Estimates

The preparation of the condensed 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

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 February 28, 2013 or May 31, 2012. Cash and cash equivalents are maintained at financial institutions and, at times, balances may exceed federally insured limits. The Company has never experienced any losses related to these balances.

Impairment of Long-Lived Assets

The Company evaluates the carrying value of 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 nine months ended February 28, 2013 and February 29, 2012, and for the period October 28, 2003 through February 28, 2013.

Research and Development

Research and development costs are expensed as incurred.

Financial Instruments

At February 28, 2013 and May 31, 2012, the carrying value of the Company's financial instruments approximates 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 approximate 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).

The Company accounts for common stock options and common stock warrants 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

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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 periodic vesting, the Company recognizes the related compensation costs associated with these options and warrants on a 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% for all periods presented.

Deferred Offering Costs

In connection with a stock rescission liability as discussed at Note 3, the Company has recorded approximately \$423,000 and \$677,000 in deferred offering costs as of February 28, 2013 and May 31, 2012, 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 at the end of the applicable period during which the investors described in Note 3 do not pursue their rescission rights and retain their shares. Conversely, if the investors pursue their rescission rights and forfeit their shares, the deferred offering costs will be expensed at that time.

Stock for Services

The Company periodically issues common stock, warrants 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 options and warrants to purchase 18,038,297 and 8,331,576 shares of common stock were not included in the computation of basic and diluted weighted average common shares outstanding for the nine months ended February 28, 2013 and February 29, 2012, respectively, as inclusion would be anti-dilutive for these periods. Additionally as of February 28, 2013, 95,100 shares of Series B convertible preferred stock can potentially convert into 951,000 shares of common stock, and \$5,341,250 of convertible debt can potentially convert into 7,121,667 shares of common stock.

Income Taxes

Deferred taxes are provided on the asset and liability method whereby deferred tax assets are recognized for deductible temporary differences and operating loss and tax credit carry forwards and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Future tax benefits for net operating loss carryforwards are recognized to the extent that realization of these benefits is considered more likely than not. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized.

The Company follows the provisions of FASB ASC 740-10 "Uncertainty in Income Taxes" (ASC 740-10). A reconciliation of the beginning and ending amount of unrecognized tax benefits has not been provided since there are no unrecognized benefits for all periods presented. The Company has not recognized interest expense or penalties as a result of the implementation of ASC 740-10. If there were an unrecognized tax benefit, the Company would recognize interest accrued related to unrecognized tax benefit in interest expense and penalties in operating expenses. The Company is subject to examination by the Internal Revenue Service and state tax authorities for tax years ending after 2008.

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Note 3 - Rescission Liabilities

The Company's board of directors (the "Board") 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. By letter dated January 3, 2012, the Division of Enforcement of the Securities and Exchange Commission notified the Company that the SEC had completed its informal investigation of the Company and had recommended no enforcement action be taken against the Company, or its officers, directors, or employees.

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 shareholders' deficiency in the Company's balance sheet. As the statutory periods for pursuing such rights expire in the respective states, such amounts for those shares are reclassified to shareholders' 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. These investor Claims could include approximately \$2.3 million of potential state or foreign jurisdiction Claims involving approximately 17 states and five foreign jurisdictions that may not be 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 of business.

The Company estimates an amount that is a probable indicator of the rescission liability and recorded rescission liabilities for February 28, 2013 and May 31, 2012 of \$2,344,000 and \$3,749,000, respectively. These amounts represent the believed potential rescission liability as of the dates presented, including any contingent interest payable to investors who pursue their rescission rights and forfeit their shares. For the purpose of calculating and disclosing rescission liability, the Company has assumed that portions of the state Claims are barred by the statutes of limitations of certain states based upon a literal interpretation of the applicable statute. Although the Company has assumed that affirmative defenses based upon the expiration of the statutes of limitations in these states may be generally available to bar these state Claims, it has not had legal counsel undertake a detailed analysis of case law that might apply to defer or avoid application of a bar to such claims; thus, if rescission claims are made for those assumed to be barred by a statute of limitations and such claims are contested by the Company, until such affirmative defenses are ruled upon in a proceeding adjudicating the rights at issue, no assurances can be made that, if asserted, such defenses would actually bar the rescission claims in these states.

The Company has considered 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, but is not actually pursuing any such methods. If circumstances warrant, 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 entered into a seven-year Personal Services Agreement on August 4, 2008 (the "Contract") with Nader Pourhassan. It was subsequently determined that the compensation provided for under the Contract violated applicable securities laws. Such violations gave rise to the Company's rescission liability described above. It was unclear whether the Company had any defenses to payment, whether the Company had any rights to recover payments made to Dr. 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, Dr. Pourhassan (and perhaps others) would have certain equitable remedies that would entitle Dr. 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 Dr. Pourhassan (and others under his direction).

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The Contract provided 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 were each to receive 50,000 common shares for every \$500,000 in capital received by the Company through Dr. Pourhassan's efforts. On October 11, 2011, Dr. Pourhassan and the Company entered into a Mutual Release and Personal Services Termination Agreement (the "MRPSTA") which relieved the Company of liability for any claims of compensation under the Contract. Simultaneously with the signing of the MRPSTA, Dr. Pourhassan and the Company entered into a new Employment and Non-Compete Agreement whereby Dr. Pourhassan was appointed Managing Director of Business Development with an annual salary of \$200,000. Upon the signing of the MRPSTA, the Company at May 31, 2011 reversed all accrued stock compensation and deferred offering costs, as the Company had no further obligations under the Contract.

Note 4 - Convertible Instruments

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, of which 95,100 shares remain outstanding at February 28, 2013. Each share of 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 was contingent upon the Company increasing its authorized common shares, which occurred in April 2010, when the Company's shareholders approved an increase to the authorized shares of common stock to 100,000,000. At the commitment date, which occurred upon such shareholder approval, 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 identical amounts. The Series B has liquidation preferences over the common shares 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 \$.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. The Series B holders have no voting rights.

During the nine months ended February 28, 2013, the Company issued \$5,908,250 of unsecured convertible notes (the "Notes") to investors for cash. Each Note is convertible at the election of the holder into common shares at a fixed conversion price of \$.75 per share. The principal on the Notes is payable in full between October 1, 2015 and January 15, 2016. The Notes bear interest at rates that range from 5% to 10% per year, payable in cash semi-annually in arrears beginning on April 1, 2013. Note holders, upon notice to the Company, may elect to convert accrued and unpaid interest into common shares at the rate of \$.75 per share. In connection with the sale of the Notes, warrants to purchase a total of 7,877,343 common shares with exercise prices ranging from \$1.50 to \$2.00 per share were issued to the investors, which are currently exercisable in full and will expire between October 1, 2014 and January 15, 2015. The Company determined the fair value of the warrants using the Black-Scholes option pricing model utilizing certain weighted average assumptions such as expected stock price volatility, term of the warrants, risk-free interest rates, and expected dividend yield at the grant date. Additionally, at the commitment date, the Company determined that the conversion option related to the Notes was beneficial to the investors. As a result, the Company determined the intrinsic value of the conversion option utilizing the fair value of the common stock at the commitment date and the effective conversion price after discounting the Notes for the fair value of the warrants. The fair value of the warrants and the intrinsic value of the conversion option were recorded as a debt discount to the Notes, and a corresponding increase to additional paid-in capital. The respective debt discounts at the commitment dates exceeded the face amount of the Notes, and accordingly, the discounts were limited to the cash proceeds received from the Notes. The debt discounts are being amortized over the life of the Notes. During the nine months ended February 28, 2013, activity related to the Notes was as follows:

Face amount of notes	\$ (5,908,250)
Debt discounts	5,908,250
Amortization of debt discount	1,234,571
Conversions	(567,000)
Carrying value of the notes	\$ (671,571)

Note 5 - Stock Options and Warrants

The Company has one stock-based equity plan at February 28, 2013. Pursuant to the 2004 Stock Incentive Plan, as amended, which was originally adopted by the Company's shareholders in 2005, the Company was authorized to issue options to purchase up to 7,600,000 shares of the Company's common stock. On December 12, 2012, the Company's shareholders approved, at its Annual

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Meeting, the CytoDyn Inc. 2012 Equity Incentive Plan (the “2012 Plan”), which replaces the 2004 Stock Incentive Plan and provides for the issuance of up to 3,000,000 shares of common stock pursuant to various forms of incentive awards allowed under the 2012 Plan. As of February 28, 2013, the Company had 2,876,710 shares available for future stock option grants under the 2012 Plan.

During the nine months ended February 28, 2013, the Company granted a total of 148,290 common stock options to directors with exercise prices ranging from \$1.40 to \$1.55 per share. With respect to two option awards covering 23,290 shares, approximately one-half of such awards vest in approximately three month from grant date and the balance vest approximately six months from grant date, while 125,000 options vest in quarterly increments over one year and have an expiration date of five years from the date of grant. The average grant date fair value related to these options was \$.89 per share.

During the nine months ended February 28, 2013, the Company granted options covering a total of 325,000 shares of common stock to employees with exercise prices ranging from \$1.40 to \$1.80 per share. With respect to 225,000 options, 50% vested immediately and 50% vest in October 2013, with the options expiring to the extent not exercised three years from the grant date. The remaining options vest annually over three years and expire five years following grant date. The options have an expiration date of three years from the date of grant. The average grant date fair value related to these options was \$.90 per share.

During the nine months ended February 28, 2013, the Company granted warrants to purchase a total of 515,000 shares of common stock to consultants with exercise prices ranging from \$1.00 to \$5.00 per share. The warrants have varying vesting terms, but will all fully vest by April 2013. The expiration dates for the warrants range from September 2014 to October 2015. The average grant date fair value related to these warrants was \$.56 per share.

Related to certain settled litigation, as disclosed in the Company’s Annual Report on Form 10-K for the fiscal year ended May 31, 2012, the Company granted warrants to purchase 750,000 common shares to consultants at an exercise price of \$.25 per share. All compensation expense associated with the warrants was recognized at May 31, 2012. The consultants exercised all the warrants during the nine months ended February 28, 2013.

As discussed in Note 4, the Company issued warrants to purchase 7,877,343 common shares to investors. The grant date fair value of the warrants was \$.75 per share.

Net cash proceeds from the exercise of common stock warrants were \$192,500 for the nine months ended February 28, 2013.

Compensation expense related to stock options and warrants was approximately \$473,000 and \$2,827,000, and \$367,000 and \$1,159,000 for the three and nine months ended February 28, 2013 and February 29, 2012, respectively. The grant date fair value of options and warrants vested during the three and nine month periods ended February 28, 2013 and February 29, 2012 was \$378,000 and \$8,773,000, and \$457,000 and \$914,000, respectively. As of February 28, 2013 there was approximately \$1,649,000 of unrecognized compensation costs related to share-based payments for unvested options, which is expected to be recognized over a weighted average period of 1.39 years.

The following table represents stock option and warrant activity as of and for the nine months ended February 28, 2013:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life in Years	Aggregate Intrinsic Value
Options and warrants outstanding – May 31, 2012	10,327,664	\$ 1.60	3.20	\$ 2,308,279
Granted	9,615,633	\$ 1.70		
Exercised	(755,000)	\$ 0.25		
Forfeited/expired/cancelled	(1,150,000)	\$ 2.00		
Options and warrants outstanding – February 28, 2013	18,038,297	\$ 1.68	2.02	\$ 1,793,958
Outstanding exercisable – February 28, 2013	16,833,232	\$ 1.67	1.89	\$ 1,793,958

Note 6 - Common Stock and Common Stock Payable Issued for Services

During the three months ended February 28, 2013, the Company was committed to issue 12,500 fully vested shares of common stock at \$1.00 per share. During the nine months ended February 28, 2013 the Company issued 24,040 shares of fully vested common shares. The Company recognized approximately \$12,500 and \$37,500 in stock-based compensation for the three and nine months ended February 28, 2013, respectively, related to these issuances. During the three and nine months ended February 29, 2012, the Company issued 72,500 shares of common stock at \$2.80 per share to consultants for services, and recognized \$203,000 of stock-based compensation based on the fair market value of the common stock at the commitment date.

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During the nine months ended February 28, 2013, the Company issued 60,000 shares of common stock to a consultant at \$2.68 per share, which was the fair value at the commitment date, and is being amortized over the requisite service period. During the three and nine months ended February 28, 2012, the Company recognized \$-0- and \$161,000 in stock-based compensation related to this grant.

Effective December 28, 2012, the Company settled trade payable balances of approximately \$447,000 owed to its previous principal law firm in exchange for a cash payment of \$45,000 and 66,116 shares of Company common stock with a value of \$80,000 as determined by the closing price of the stock on December 24, 2012. The Company recorded a gain on the satisfaction of the payables of approximately \$322,000 and \$373,000 for the three and nine months ended February 28, 2013, respectively.

Note 7 - Recent Accounting Pronouncements

Other recent accounting pronouncements issued by the FASB (including its EITF), the AICPA, and the SEC did not or are not believed by management to have a material impact on the Company's present or future financial statements.

Note 8 - Related Party Transactions

In May, July and September of 2007, the Company issued a total of \$150,000 in promissory notes with a stated interest rate of 14% to a director of the Company. The balance was paid in full during the three months ended February 28, 2013.

The above terms and amounts are not necessarily indicative of the terms and amounts that would have been incurred had comparable transactions been entered into with independent parties.

Note 9 - Commitments and Contingencies

On July 25, 2012, the Company and Kenneth J. Van Ness entered into a Transition Agreement (the "Transition Agreement"). Pursuant to the Transition Agreement, Mr. Van Ness stepped down as the Chairman of the Board, effective immediately. In addition, Mr. Van Ness agreed to step down as the President and CEO of the Company no later than October 16, 2012. Mr. Van Ness ceased to be a director on December 12, 2012, and Gregory A. Gould, a current member of the Board, is serving as Chairman of the Board.

The Transition Agreement provides that, in lieu of any compensation otherwise payable to Mr. Van Ness under the Executive Employment Agreement, dated April 16, 2012, but effective as of August 9, 2011 (the "Employment Agreement"), by and between the Company and Mr. Van Ness, during the period beginning on July 18, 2012 through October 16, 2012 (the "Transition Period") Mr. Van Ness would be paid a salary equal to \$13,890 per month and continue to receive, during the Transition Period, the fringe benefits, indemnification and miscellaneous business expense benefits provided for in the Employment Agreement. Mr. Van Ness is also entitled to (i) receive a cash severance payment equal to \$13,890 per month for 33 months after the end of the Transition Period, (ii) the opportunity to elect the timing of distribution of his account balance in the Company's 401(k) Plan, (iii) reimbursement for continuing health care insurance coverage under COBRA for nine months, and (iv) all amounts due by the Company to an affiliate of Mr. Van Ness for every month that the Company continued to occupy a portion of the real property owned by an affiliate of Mr. Van Ness located at 110 Crenshaw Lake Road, Lutz, Florida.

Under the Transition Agreement: (i)(A) the CytoDyn Inc. Stock Option Award Agreement, dated December 6, 2010, with Mr. Van Ness was amended to provide for immediate vesting of all of the 500,000 options granted at \$1.19 per share, and (B) the CytoDyn Inc. Stock Option Award Agreement, dated April 16, 2012, but effective as of August 9, 2011, with Mr. Van Ness was amended to provide for (I) immediate vesting of 750,000 of the 1,500,000 options granted at \$2.00 per share, and (II) forfeiture of the remaining 750,000 options; and (ii) the Company and Mr. Van Ness agreed that the expiration date of the 25,000 options granted to him on September 22, 2010, is August 8, 2016. The Company also amended the grants to waive the earlier expiration of such options upon Mr. Van Ness's ceasing to be in "Continuous Service" with the Company, as that term is defined in the Company's Stock Incentive Plan.

Pursuant to the terms of the Transition Agreement described above, as of February 28, 2013, the Company has accrued approximately \$413,000 in severance liabilities. The Company accrued for the severance to be paid to Mr. Van Ness, as Mr. Van Ness has no significant continuing service obligation to the Company. Additionally, related to the modification of the above stock option awards to Mr. Van Ness, the Company recognized approximately \$1,128,000 of stock-based compensation expense during the nine months ended February 28, 2013. This amount was determined based on the provisions of the above Transition Agreement, including the impact of the accelerated vesting and forfeitures.

Effective July 25, 2012, the Company entered into an Asset Purchase Agreement (the "Asset Purchase Agreement") with Progenics Pharmaceuticals, Inc. ("Progenics") to acquire from Progenics its proprietary HIV viral-entry inhibitor drug candidate PRO 140 ("PRO 140"), a humanized anti-CCR5 monoclonal antibody, as well as certain other related assets, including the existing inventory of

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bulk PRO 140 drug product, intellectual property, certain related licenses and sublicenses, and United States Food and Drug Administration (“FDA”) regulatory filings. The terms of the Asset Purchase Agreement provide for an initial cash payment at closing of \$3,500,000, as well as the following milestone payments and royalties: (i) \$2,500,000 at the time of the first dosing in a US Phase III trial or non-US equivalent; (ii) \$500,000 upon filing a New Drug Application with the FDA or other non-US equivalent; (iii) \$5,500,000 at the time of the first US new drug application approval by the FDA or other non-US approval for the sale of PRO 140; and (iv) royalty payments of up to eleven and one-half percent (11.5%) (comprised of 5% to Progenics and 3.5% and 3% to each of two sub-licensors to Progenics of certain patent estates) on 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 commercial sale of PRO 140, in each case determined on a country-by-country basis. The Asset Purchase Agreement requires the Company to pay, among other milestone payments and royalties, a minimum annual license maintenance fee of the greater of \$150,000 or the royalty fees paid on certain licensed products. During the three months ended February 28, 2013, the Company paid \$150,000 related to the minimum annual license fee. On October 16, 2012, the acquisition of PRO 140 by the Company was closed and the Company paid \$3,500,000 in cash.

Note 10 - Acquisitions

As discussed in Note 9 above, the Company consummated an asset purchase on October 16, 2012 and paid \$3,500,000 for certain assets, including intellectual property, certain related licenses and sublicenses, FDA filings and various liquid forms of the PRO 140 drug product. The Company followed the guidance in Financial Accounting Standards topic 805 to determine if the Company acquired a business. Based on the prescribed accounting, the Company acquired assets and not a business. As of February 28, 2013, the Company recorded \$3,500,000 of intangible assets. The Company has not yet obtained a final valuation for the acquired assets. Any significant differences in the preliminary values assigned to the acquired assets, as recorded at February 28, 2013, may be retrospectively adjusted pending the final third-party valuation. As of the date of this filing, management cannot reasonably estimate the likelihood of paying the milestone payments and royalties, and accordingly, as of February 28, 2013, has not accrued any liabilities related to these contingent payments, as more fully described above in Note 9.

Note 11 - Subsequent Events

Subsequent to February 28, 2013, the Company raised an additional \$300,000 in cash through the issuance of convertible notes payable to two individuals, together with warrants to purchase 358,334 shares of common stock, on terms and conditions generally comparable to previously issued convertible notes and warrants.

Subsequent to February 28, 2013, the Company raised an additional \$500,000 in cash through the issuance of a one-year promissory note to a director of the Company. The principal of the note is due in cash in a single payment at maturity and bears simple interest at the rate of 15% per annum. The interest is payable in the form of common stock of the Company at a rate of \$0.50 per share and is payable semiannually in arrears. The note has no other conversion features and does not include warrants.

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,” “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, regulatory initiatives and compliance with governmental regulations, the ability to raise additional capital, the results of clinical trials for our drug candidates, 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 condition, 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 February 28, 2013 and February 29, 2012 are as follows:

For the three months ended February 28, 2013 and February 29, 2012, we had no activities that produced revenues from operations.

For the three months ended February 28, 2013, we had a net loss of approximately \$2,359,000 compared to a net loss of approximately \$1,418,000 for the corresponding period in 2012. For the three months ended February 28, 2013 and February 29, 2012, we incurred operating expenses of approximately \$1,623,000 and \$1,415,000, respectively, consisting primarily of salaries and benefits, stock-based compensation, professional fees, legal fees, research and development and various other operating expenses.

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The increase in operating expenses for the three-month period ended February 28, 2013 of \$208,000 compared to the three months ended February 29, 2012, related primarily to increases in incentive and stock-based compensation and certain other operating expenses, offset in part by decreases in consulting fees, legal fees and certain patent renewal fees. We expect our research and development expenses to increase as we prepare to commence human clinical trials on our recently acquired drug candidate PRO 140. The clinical trials will be conducted pursuant to an agreement with Dr. Jeffrey Jacobson at Drexel University College of Medicine and funded directly to Drexel by two NIH grants totaling approximately \$10.0 million. Our ability to continue to fund our operating expenses will depend on our ability to raise additional capital. Stock-based compensation may also increase, as we continue to compensate consultants, directors, and employees with common stock and stock options.

During the three months ended February 28, 2013, the Company realized a gain of approximately \$322,000 in connection with a negotiated reduction of previously accrued legal fees.

Interest expense is comprised of a non-cash charge related to the amortization of debt discount attributable to convertible notes payable and accrued interest payable on outstanding notes. The amortization of debt discount of approximately \$977,000 for the three months ended February 28, 2013 represents the amortization of the fair value of the attached warrants and the intrinsic value of the beneficial conversion feature of the convertible notes payable. The amount of amortization recognized during the most recent quarter also includes a disproportionate amount owing to the conversion of \$567,000 in face value of notes in December 2012. The Company had no convertible notes outstanding during the comparable 2012 period. Interest expense of \$82,000 for the three months ended February 28, 2013 was primarily related to the convertible notes outstanding, which bear interest at rates ranging from 5% to 10% per annum.

Results of Operations for the nine months ended February 28, 2013 and February 29, 2012 are as follows:

For the nine months ended February 28, 2013, we had no activities that produced revenues from operations.

For the nine months ended February 28, 2013, we had a net loss of approximately \$7,083,000 compared to a net loss of approximately \$4,082,000 for the corresponding period in 2012. For the nine months ended February 28, 2013 and February 29, 2012, we incurred operating expenses of approximately \$6,079,000 and \$4,065,000, respectively, consisting primarily of salaries and benefits, stock-based compensation, professional fees, legal fees, research and development and various other operating expenses.

The increase in operating expenses of approximately \$2,014,000 for the nine-month period ended February 28, 2013 compared to the nine months ended February 29, 2012 related primarily to increases in stock-based compensation, salaries, travel, consulting fees and certain other operating expenses. These increases were offset by decreases in accounting fees, legal fees and research and development expenditures.

Interest expense is comprised of a non-cash charge related to the amortization of debt discount attributable to convertible notes payable and accrued interest payable on outstanding notes. The amortization of debt discount of approximately \$1,235,000 for the nine months ended February 28, 2013 represents the amortization of the fair value of the attached warrants and the intrinsic value of the beneficial conversion feature of the convertible notes payable. The Company had no convertible notes outstanding during the comparable 2012 nine-month period. Interest expense of approximately \$143,000 for the nine months ended February 28, 2013 is principally attributable to the convertible notes payable, which bear interest at rates ranging from 5% to 10% per annum.

Rescission Liability

We recorded rescission liabilities for February 28, 2013 and May 31, 2012 of \$2,344,000 and \$3,749,000, respectively. These amounts represent the believed potential rescission liability as of the dates presented, including any contingent interest payable to investors who pursue their rescission rights and forfeit their shares. For the purpose of calculating and disclosing rescission liability, the Company has assumed that portions of the state claims are barred by the statutes of limitations of certain states based upon a literal interpretation of the applicable statute. Although the Company has assumed that affirmative defenses based upon the expiration of the statutes of limitations in these states may be generally available to bar these state claims, it has not had legal counsel undertake a detailed analysis of case law that might apply to defer or avoid application of a bar to such claims; thus, if rescission claims are made for those assumed to be barred by a statute of limitations and such claims are contested by the Company, until such affirmative defenses are ruled upon in a proceeding adjudicating the rights at issue, no assurances can be made that, if asserted, such defenses would actually bar the rescission claims in these states. See Note 3 of our consolidated financial statements for further information regarding these rescission liabilities.

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Liquidity and Capital Resources

The Company's cash position for the nine months ended February 28, 2013 increased by approximately \$127,000 as compared to an increase of approximately \$742,000 for the nine month period ended February 29, 2012.

On February 28, 2013, we had negative working capital of approximately \$(2,990,000) as compared to a negative working capital of approximately \$(4,007,000) on May 31, 2012.

Cash Flows

Net cash used in operating activities was approximately \$2,396,000 during the nine months ended February 28, 2013, which reflects an improvement of approximately \$489,000 from net cash used in operating activities of approximately \$2,885,000 for the nine months ended February 29, 2012. The change in the net cash used in operating activities for the above periods was primarily attributable to the increase in the net loss, offset by the increase in stock-based compensation, amortization of debt discount and increases in various liabilities.

The increase in cash used in investing activities for the nine months ended February 28, 2013 relates to the PRO 140 asset acquisition consummated in October 2012.

Net cash provided by financing activities of approximately \$6,026,000 for the nine months ended February 28, 2013 increased approximately \$2,399,000 over the comparable nine-month period ended February 29, 2012 as a result of proceeds from the issuance of convertible notes and exercise of common stock warrants, offset, in part, by decreases in proceeds from the sale of common stock.

As reported in the accompanying financial statements, for the nine months ended February 28, 2013 and February 29, 2012, and since October 28, 2003 through February 28, 2013, we incurred net losses of approximately \$7,083,000 and \$4,082,000 and \$29,915,000, respectively. As of February 28, 2013, we have not emerged from the development stage. In view of these matters, our ability to continue as a going concern is dependent upon our ability to raise additional capital, commence operations and to achieve a level of profitability. Since inception, we have financed our activities principally from the sale of public and private equity securities and proceeds from convertible notes and related party notes payable. We intend to finance our future development activities and our working capital needs largely from the sale of equity securities, combined with additional funding from other traditional financing sources.

As previously noted, since October 28, 2003, we have financed our operations largely from the sale of common stock, preferred stock and proceeds from notes payable. From October 28, 2003 through February 28, 2013, we raised cash of approximately \$10,504,000 (net of offering costs) through private placements of common and preferred stock and approximately \$7,445,000 through the issuance of related party notes payable and convertible notes. Additionally, the Company has raised approximately \$612,000 from the issuance of common stock and preferred stock in conjunction with certain acquisitions in prior years. We have raised approximately \$548,000 through the exercise of common stock warrants and options. In April 2010, our shareholders voted to amend our Articles of Incorporation to increase the number of authorized shares of common stock to 100,000,000 shares. Accordingly, we intend to continue to finance our operations through the sale of additional shares and other securities.

Effective July 25, 2012, the Company entered into an Asset Purchase Agreement (the "Asset Purchase Agreement") with Progenics Pharmaceuticals, Inc. ("Progenics") to acquire from Progenics its proprietary HIV viral-entry inhibitor drug candidate PRO 140 ("PRO 140"), a humanized anti-CCR5 monoclonal antibody, as well as certain other related assets, including the existing inventory of bulk PRO 140 drug product, intellectual property, certain related licenses and sublicenses, and United States Food and Drug Administration ("FDA") regulatory filings. The terms of the Asset Purchase Agreement provide for an initial cash payment at closing of \$3,500,000, as well as the following milestone payments and royalties: (i) \$2,500,000 at the time of the first dosing in a US Phase III trial or non-US equivalent; (ii) \$500,000 upon filing a New Drug Application with the FDA or other non-US equivalent; (iii) \$5,500,000 at the time of the first US new drug application approval by the FDA or other non-US approval for the sale of PRO 140; and (iv) royalty payments of up to 11.5% (comprised of 5% to Progenics and 3.5% and 3% to each of two sub-licensors to Progenics of certain patent estates) on 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 commercial sale of PRO 140, in each case determined on a country-by-country basis. The Asset Purchase Agreement also requires the Company to pay a minimum annual license maintenance fee of the greater of \$150,000 or the royalty fees paid on certain licensed products. As of October 16, 2012, all closing conditions were satisfied by the Company and Progenics, including, among other matters: (i) Progenics having received all required authorizations, consents and approvals of government authorities; (ii) Progenics having entered into and delivered intellectual property assignments; (iii) the Company and Progenics having entered into a transition services agreement; (iv) the Company having obtained the capital required to consummate the transactions contemplated by the Asset Purchase Agreement; and (v) the Company having completed and been satisfied with its due diligence investigation of PRO 140. On October 16, 2012, the Company, having satisfied the above closing conditions, paid \$3,500,000 in cash to Progenics. As of the date of

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this filing, it is management's conclusion that the probability of achieving the future scientific research milestones is not reasonably determinable, thus the future milestone payments payable to Progenics and its sub-licensors are deemed contingent consideration and are therefore not currently accruable. See Part II, Item 2 "Unregistered Sales of Equity Securities and Use of Proceeds" in this report for additional information regarding the Company's fundraising efforts.

Since October 28, 2003 through February 28, 2013, we have incurred approximately \$3,014,000 of research and development costs and approximately \$28,373,000 in operating expenses. We have incurred significant net losses and negative cash flows from operations since our inception. As of February 28, 2013, we had an accumulated deficit of approximately \$31,517,000 and negative working capital of approximately \$(2,990,000).

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.

Item 3. Quantitative and Qualitative Disclosures about Market Risk.

Not applicable.

Item 4. Controls and Procedures.

Disclosure Controls and Procedures

As of February 28, 2013, 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 February 28, 2013. 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 February 28, 2013 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 February 28, 2013, 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 February 28, 2013, the Company sold a total of \$260,000 in unsecured convertible notes in a private placement to two individuals, in exchange for cash in an equal amount. Each purchaser of notes is an "accredited investor," as that term is defined in Rule 501(a) of Regulation D promulgated under the Securities Act. The notes are convertible at the election of the holder into common shares at a fixed conversion price of \$.75 per share. In connection with the sale of the notes, warrants for a total of 346,667 shares of common stock were issued which are currently exercisable in full and will expire between December 31, 2014 and January 15, 2015. The warrants have an exercise price of \$2.00 per share.

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During the three months ended February 28, 2013, the Company issued 66,116 shares of fully vested common stock at \$1.21 per share in satisfaction of certain accounts payables.

During the three months ended February 28, 2013, the Company issued 756,000 shares of common stock at a conversion price of \$.75 per share related to the conversion of \$567,000 of convertible notes. Related to these notes, the Company issued 5,604 shares of common stock upon the conversion of accrued interest on the notes.

During the three months ended February 28, 2013, the Company issued 10,000 shares of common stock related to the conversion of preferred stock, and issued 1,580 shares of common stock in payment of accrued dividends on the preferred stock.

The Company issued and sold the convertible notes and warrants and issued the common stock described above without registration pursuant to Section 4(2) of the Securities Act and, other than the 66,116 shares of common stock referred to above, pursuant to Rule 506 promulgated thereunder.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not Applicable.

Item 5. Other Information.

None.

Item 6. Exhibits.

(a) Exhibits:

4.1	Form of Convertible Promissory Note bearing interest at 10% per annum with related common stock warrant.
4.2	Form of Convertible Promissory Note bearing interest at 5% per annum with related common stock warrant.
10.1	Convertible Promissory Note dated October 16, 2012, in the principal amount of \$1,000,000 issued to Jordan Naydenov, together with a related common stock warrant to purchase 1,333,333 shares.
31.1	Rule 13a-14(a)/15d-14(a) Certification by CEO of the Registrant.
31.2	Rule 13a-14(a)/15d-14(a) Certification by CFO of the Registrant.
32.1	Certification of CEO of the Registrant pursuant to 18 U.S.C. Section 1350 as adopted, pursuant to Section 906 of Sarbanes-Oxley Act of 2002.
32.2	Certification of CFO of the Registrant pursuant to 18 U.S.C. Section 1350 as adopted, pursuant to Section 906 of Sarbanes-Oxley Act of 2002.
101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema Document
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document

* Pursuant to Regulation S-T, this interactive data file is deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, is deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, and otherwise is not subject to liability under these sections.

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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.

Dated: April 12, 2013

CYTODYN INC.
(Registrant)

/s/ Nader Z. Pourhassan
Nader Z. Pourhassan
President and Chief Executive Officer

Dated: April 12, 2013

/s/ Michael D. Mulholland
Michael D. Mulholland
Chief Financial Officer, Treasurer and
Corporate Secretary

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EXHIBIT INDEX

Exhibit	Description
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THIS CONVERTIBLE PROMISSORY NOTE AND THE SECURITIES TO BE DELIVERED IN CONNECTION HEREWITH AND UPON CONVERSION HEREOF HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR UNDER ANY STATE SECURITIES LAW. NO SALE, ASSIGNMENT, PLEDGE OR OTHER TRANSFER OF EITHER THIS CONVERTIBLE PROMISSORY NOTE OR ANY SUCH SECURITIES MAY BE MADE EXCEPT PURSUANT TO THE PROVISIONS OF THE ACT AND APPLICABLE STATE SECURITIES LAWS OR UNLESS AN OPINION OF COUNSEL, SATISFACTORY TO MAKER, IS OBTAINED STATING THAT SUCH SALE, ASSIGNMENT, PLEDGE OR TRANSFER IS IN COMPLIANCE WITH AN AVAILABLE EXEMPTION UNDER THE ACT AND APPLICABLE STATE SECURITIES LAWS.

THIS CONVERTIBLE PROMISSORY NOTE HAS BEEN EXECUTED AND DELIVERED OUTSIDE OF THE STATE OF FLORIDA AND NO FLORIDA DOCUMENTARY STAMP TAXES ARE DUE.

FORM OF CONVERTIBLE PROMISSORY NOTE

\$.00 , 201

FOR VALUE RECEIVED, CYTODYN INC., a Colorado corporation ("Maker"), hereby promises to pay to ("Holder") the principal amount of and 00/100 Dollars (\$.00), together with interest thereon at a fixed simple interest rate of ten percent (10%) per annum.

Principal outstanding under this Convertible Promissory Note (this "Promissory Note") shall be due and payable in cash in a single payment on , 201 (the "Due Date"). Interest shall be payable in cash semiannually in arrears beginning on , 201 , and continuing on each of , 201 , , 201 , , 201 , , 201 , and , 201 , except to the extent that this Promissory Note has been previously converted into shares of Maker's common stock (the "Shares") as set forth below.

In connection with this Promissory Note, Holder is entitled to, at no additional cost to Holder, a warrant to purchase Shares (the "Warrants," and together with the Shares, collectively, the "Securities") at an exercise price of \$1.50 per Share (the "Exercise Price"), in substantially the form attached hereto as Exhibit A. The Warrants are exercisable at the option of the Holder at any time after , 201 (the "Effective Date"), but not later than two (2) years after the Effective Date.

All or any portion of principal and any related accrued but unpaid interest hereunder may be converted (each, a "Conversion") at any time by Holder into a number of Shares determined by dividing the converted principal amount and related accrued but unpaid interest by the conversion price of \$0.75 per Share, with the resulting number of Shares to be issued, rounded down to the nearest whole Share, being referred to as the "Conversion Share Number."

No Conversion hereunder shall be effective unless written notice of the Conversion is given by Holder at least five (5) days prior to such Conversion, in substantially the form attached hereto as Exhibit B. Notwithstanding the foregoing, no Conversion hereunder shall be permitted after a date that is later than 30 days prior to the Due Date.

The Maker shall not issue any fractional Shares upon Conversion by Holder of any principal and related accrued but unpaid interest hereunder or upon the exercise of the Warrants. With respect to any fraction of a Share resulting from such Conversion or exercise, the Maker shall issue to Holder a number of Shares rounded down to the nearest whole Share.

Default in the payment of the principal of or interest on this Promissory Note when the same becomes due and payable shall constitute an event of default hereunder.

Upon the occurrence of an event of default, or at any time thereafter during the continuance of any such event, the Holder may, with or without notice to the Maker, declare this Promissory Note to be forthwith due and payable, whereupon this Promissory Note and the indebtedness evidenced hereby shall forthwith be due and payable, both as to principal and interest, without presentment, demand, protest, or other notice of any kind, all of which are hereby expressly waived, anything contained herein or in any other instrument executed in connection with or securing this Note to the contrary notwithstanding. If the Due Date of this Promissory Note is accelerated as provided above, the Holder may convert the principal portion of this Promissory Note into Shares at any time prior to the payment of such principal amount.

If the Maker sells all or substantially all of its assets to a third party, merges, or consolidates with another entity, or engages in any other transaction with a third party requiring approval of the shareholders of the Maker, Maker shall give prompt notice to the Holder, and Holder may immediately convert the principal amount of this Promissory Note into Shares at any time prior to the consummation of such transaction.

If this Promissory Note or any interest hereon becomes due and payable on Saturday, Sunday or other day on which commercial banks are authorized or permitted to close under the laws of the State of Oregon, the maturity of this Promissory Note or such installment shall be extended to the next succeeding business day.

Maker may elect to prepay, on or before the Due Date, but not earlier than one (1) year following the effective date of this Promissory Note, all or any portion of the outstanding principal balance under this Promissory Note, together with accrued but unpaid interest, by wire transfer or other cash equivalent acceptable to Maker; provided, however, for any such prepayment, Maker must first give Holder at least ten (10) days prior notice of such prepayment and, during such time, Holder may elect in writing to effect a Conversion of all or a portion of such principal balance, together with any accrued but unpaid interest so desired to be prepaid by Maker, into Shares as provided herein.

If the payment of principal or any payment of interest or both is more than five (5) days late, the Maker agrees to pay the Holder a late charge equal to three percent (3%) of the payment (the "Late Fee"). The provisions of this Promissory Note establishing a Late Fee shall not be deemed to extend the time for any payment due or to constitute a "grace period" giving the Maker a right to cure such default.

This Promissory Note and the Securities to be issued in connection herewith and upon Conversion hereof may not be offered, sold or otherwise disposed of except under circumstances which will not result in a violation of the Securities Act of 1933, as amended (the "Securities Act"). Upon Conversion of this Promissory Note, the Holder hereof will be required to confirm in writing, by executing the form attached as Schedule 1 to Exhibit B hereto, that the Shares so purchased are being acquired for investment and not with a view toward distribution or resale. This Promissory Note and all Shares issued upon Conversion hereof or upon the exercise of the Warrants (unless registered under the Securities Act) shall be stamped or imprinted with a legend in substantially the following form:

"THE SHARES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 OR THE SECURITIES ACT OF ANY STATE. THE SHARES HAVE BEEN ACQUIRED FOR INVESTMENT AND MAY NOT BE SOLD, TRANSFERRED FOR VALUE, PLEDGED, HYPOTHECATED, OR OTHERWISE ENCUMBERED IN THE ABSENCE OF AN EFFECTIVE REGISTRATION OF THEM UNDER THE SECURITIES ACT OF 1933 OR THE SECURITIES ACT OF ANY STATE OR AN APPLICABLE EXEMPTION FROM REGISTRATION UNDER SUCH ACT OR ACTS."

With respect to any offer, sale or other disposition of this Promissory Note or any Securities to be issued in connection herewith or upon Conversion hereof prior to registration of such Promissory Note or Securities, the Holder hereof and each subsequent Holder of this Promissory Note will be required to give written notice to the Maker prior thereto, describing briefly the manner thereof, together with a written opinion of such Holder's counsel reasonably acceptable to the Maker's counsel, if such opinion is reasonably requested by the Maker, to the effect that such offer, sale or other disposition may be effected without registration or qualification (under the Securities Act as then in effect or any federal or state law then in effect) of this Promissory Note or such Securities and indicating whether or not under the Securities Act this Promissory Note or certificates for such Securities to be sold or otherwise disposed of require any restrictive legend as to applicable restrictions on transferability in order to ensure compliance with applicable law. Promptly upon receiving such written notice and reasonably satisfactory opinion, if so requested, the Maker, as promptly as practicable, shall notify such Holder that such Holder may sell or otherwise dispose of this Promissory Note or such Securities, all in accordance with the terms of the notice delivered to the Maker. If a determination has been made pursuant to this paragraph that the opinion of counsel for the Holder is not reasonably satisfactory to the Maker, the Maker shall so notify the Holder promptly after such determination has been made and neither this Promissory Note nor any Securities shall be sold or otherwise disposed of until such disagreement has been resolved. The foregoing notwithstanding, this Promissory Note or such Securities may as to such federal laws, be offered, sold or otherwise disposed of in accordance with Rule 144 under the Securities Act, provided that the Maker shall have been furnished with such information as the Maker may

reasonably request to provide a reasonable assurance that the provisions of Rule 144 have been satisfied. This Promissory Note and each certificate representing the Securities thus transferred (except a transfer pursuant to Rule 144) shall bear a legend as to the applicable restrictions on transferability in order to ensure compliance with such laws, unless in the aforesaid opinion of counsel for the Holder, reasonably acceptable to the Maker, such legend is not required in order to ensure compliance with such laws. The Maker may issue stop transfer instructions to its transfer agent or, if acting as its own transfer agent, the Maker may stop transfer on its corporate books, in connection with such restrictions.

Any provision of this Promissory Note that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof or affecting the validity or enforceability of such provision in any other jurisdiction.

This Promissory Note is not transferable or assignable by the Maker without the consent of the Holder. This Promissory Note is not transferable or assignable by the Holder without the consent of the Maker. If this Promissory Note is collected by law or through an attorney at law, or under advice therefrom, the Maker agrees to pay all costs of collection, including reasonable attorneys' fees. Reasonable attorneys' fees are defined to include, but not be limited to, all fees incurred in all matters of collection and enforcement, trial proceedings and appeals, as well as appearances in and connected with any bankruptcy proceedings or creditors' reorganization or similar proceedings and any post judgment collection efforts.

Any failure to exercise any right, remedy or recourse hereunder shall not be deemed to be a waiver or release of the same, such waiver or release to be effected only through a written document executed by the Holder and then only to the extent specifically recited therein. A waiver or release with reference to any one event shall not be construed as continuing, as a bar to, or as a waiver or release of any subsequent right, remedy or recourse as to a subsequent event.

In no event shall the amount of interest due or payments in the nature of interest payable hereunder exceed the maximum rate of interest allowed by applicable law, as amended from time to time, and in the event any such payment is paid by the Maker or received by the Holder, then such excess sum shall be credited as a payment of principal, unless the Maker shall notify the Holder, in writing, that the Maker elects to have such excess sum returned to the Maker forthwith.

The Maker hereby waives all and every exemption secured to it by the laws and constitution of the State of Oregon, and of any other state. The Maker hereby waives demand, presentment, protest, notice of nonpayment or dishonor, and any other notice required by law and agrees that its obligation hereunder shall not be affected by any renewal or extension of the time of payment hereof, or by any indulgences.

This Promissory Note shall be governed by and construed in accordance with the laws of the State of Oregon applicable to debts and obligations incurred and to be paid solely in such jurisdiction. This Promissory Note may not be modified or amended and no provision hereof may be waived except by a written instrument executed by the parties to be bound thereby.

CYTODYN INC.

By: _____

EXHIBIT "A"

Warrant Number

THE WARRANT REPRESENTED BY THIS CERTIFICATE AND THE SHARES ISSUABLE UPON EXERCISE THEREOF HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT") OR QUALIFIED UNDER ANY APPLICABLE STATE SECURITIES LAW ("APPLICABLE STATE SECURITIES LAW"). THIS WARRANT HAS BEEN ACQUIRED FOR INVESTMENT AND NOT WITH A VIEW TO, OR FOR SALE IN CONNECTION WITH, ANY DISTRIBUTION THEREOF WITHIN THE MEANING OF THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAW. THIS WARRANT AND THE SHARES ISSUABLE UPON EXERCISE THEREOF MAY NOT BE PLEDGED, SOLD, ASSIGNED OR TRANSFERRED UNLESS A REGISTRATION STATEMENT WITH RESPECT THERETO UNDER THE SECURITIES ACT IS EFFECTIVE, AND ANY APPLICABLE STATE SECURITIES LAW REQUIREMENTS HAVE BEEN MET OR EXEMPTIONS FROM THE REGISTRATION REQUIREMENTS UNDER THE SECURITIES ACT AND THE REGISTRATION OR QUALIFICATION REQUIREMENTS OF APPLICABLE STATE SECURITIES LAW ARE AVAILABLE. NO TRANSFER OF ANY INTEREST IN THIS WARRANT OR THE SECURITIES PURCHASABLE UPON EXERCISE MAY BE EFFECTED WITHOUT FIRST SURRENDERING THIS WARRANT OR SUCH SECURITIES, AS THE CASE MAY BE, TO THE COMPANY OR ITS TRANSFER AGENT, IF ANY.

Warrant to Purchase
Shares of
Common Stock
As Herein Described

, 201

WARRANT TO PURCHASE COMMON STOCK OF

CYTODYN INC.

This is to certify that, for value received, _____, or a proper assignee (the "Holder"), is entitled to purchase up to _____ shares ("Warrant Shares") of common stock, no par value per share (the "Common Stock"), of CytoDyn Inc., a Colorado corporation (the "Company"), subject to the provisions of this Warrant Number _____, from the Company. This Warrant shall be exercisable at One Dollar and Fifty Cents (\$1.50) per share (the "Exercise Price"). This Warrant also is subject to the following terms and conditions:

1. Exercise and Payment; Exchange.

(a) This Warrant may be exercised in whole or in part at any time from and after the date hereof (the "Commencement Date") through 5:00 p.m., Pacific time, on _____, 201____ (the "Expiration Date"), at which time this Warrant shall expire and become void, but if

such date is a day on which federal or state chartered banking institutions located in the State of Oregon are authorized to close, then on the next succeeding day which shall not be such a day. Exercise shall be by presentation and surrender to the Company, or at the office of any transfer agent designated by the Company (the "Transfer Agent"), of (i) this Warrant, (ii) the attached exercise form properly executed, and (iii) a certified or official bank check for the Exercise Price for the number of Warrant Shares specified in the exercise form. If this Warrant is exercised in part only, the Transfer Agent shall, upon surrender of the Warrant, execute and deliver a new Warrant evidencing the rights of the Holder to purchase the remaining number of Warrant Shares purchasable hereunder. Upon receipt by the Company of this Warrant in proper form for exercise, accompanied by payment as aforesaid, the Holder shall be deemed to be the holder of record of the Common Stock issuable upon such exercise, notwithstanding that the stock transfer books of the Company shall then be closed or that certificates representing such Warrant Shares shall not then be actually delivered by the Holder.

(b) Conditions to Exercise or Exchange. The restrictions in Section 7 shall apply, to the extent applicable by their terms, to any exercise or exchange of this Warrant permitted by this Section 1.

2. Reservation of Shares. The Company shall, at all times until the expiration of this Warrant, reserve for issuance and delivery upon exercise of this Warrant the number of Warrant Shares which shall be required for issuance and delivery upon exercise of this Warrant.

3. Fractional Interests. The Company shall not issue any fractional shares or scrip representing fractional shares upon the exercise or exchange of this Warrant. With respect to any fraction of a share resulting from the exercise or exchange hereof, the Company shall pay to the Holder an amount in cash equal to such fraction multiplied by the current fair market value per share of Common Stock, determined as follows:

(a) If the Common Stock is listed on a national securities exchange or admitted to unlisted trading privileges on such an exchange, the current fair market value shall be the last reported sale price of the Common Stock on such exchange on the last business day prior to the date of exercise of this Warrant or if no such sale is made on such day, the mean of the closing bid and asked prices for such day on such exchange;

(b) If the Common Stock is not so listed or admitted to unlisted trading privileges or quoted on a national securities exchange, the current fair market value shall be the mean of the last bid and asked prices reported on the last business day prior to the date of the exercise of this Warrant by the OTC Markets Group, Inc.; or

(c) If the Common Stock is not so listed or admitted to unlisted trading privileges and bid and asked prices are not so reported, the current fair market value shall be an amount, not less than book value, determined in such reasonable manner as may be prescribed by the Company in good faith.

4. No Rights as Shareholder. This Warrant shall not entitle the Holder to any rights as a shareholder of the Company, either at law or in equity. The rights of the Holder are limited to those expressed in this Warrant and are not enforceable against the Company except to the extent set forth herein.

5. Adjustments in Number and Exercise Price of Warrant Shares.

5.1 The number of shares of Common Stock for which this Warrant may be exercised and the Exercise Price therefor shall be subject to adjustment as follows:

(a) If the Company is recapitalized through the subdivision or combination of its outstanding shares of Common Stock into a larger or smaller number of shares, the number of shares of Common Stock for which this Warrant may be exercised shall be increased or reduced, as of the record date for such recapitalization, in the same proportion as the increase or decrease in the outstanding shares of Common Stock, and the Exercise Price shall be adjusted so that the aggregate amount payable for the purchase of all of the Warrant Shares issuable hereunder immediately after the record date for such recapitalization shall equal the aggregate amount so payable immediately before such record date.

(b) If the Company declares a dividend on Common Stock payable in Common Stock or securities convertible into Common Stock, the number of shares of Common Stock for which this Warrant may be exercised shall be increased as of the record date for determining which holders of Common Stock shall be entitled to receive such dividend, in proportion to the increase in the number of outstanding shares (and shares of Common Stock issuable upon conversion of all such securities convertible into Common Stock) of Common Stock as a result of such dividend, and the Exercise Price shall be adjusted so that the aggregate amount payable for the purchase of all the Warrant Shares issuable hereunder immediately after the record date for such dividend shall equal the aggregate amount so payable immediately before such record date.

(c) If the Company distributes to holders of its Common Stock, other than as part of its dissolution or liquidation or the winding up of its affairs, any shares of its Common Stock, any evidence of indebtedness or any of its assets (other than cash, Common Stock or securities convertible into Common Stock), the Company shall give written notice to the Holder of any such distribution at least fifteen (15) days prior to the proposed record date in order to permit the Holder to exercise this Warrant on or before the record date. There shall be no adjustment in the number of shares of Common Stock for which this Warrant may be exercised, or in the Exercise Price, by virtue of any such distribution.

(d) If the Company offers rights or warrants to the holders of Common Stock which entitle them to subscribe to or purchase additional Common Stock or securities convertible into Common Stock, the Company shall give written notice of any such proposed offering to the Holder at least fifteen (15) days prior to the proposed record date in order to permit the Holder to exercise this Warrant on or before such record date. There shall be no adjustment in the number of shares of Common Stock for which this Warrant may be exercised, or in the Exercise Price, by virtue of any such distribution.

(e) If the event, as a result of which an adjustment is made under paragraph (a) or (b) above, does not occur, then any adjustments in the Exercise Price or number of shares issuable that were made in accordance with such paragraph (a) or (b) shall be adjusted to the Exercise Price and number of shares as were in effect immediately prior to the record date for such event.

5.2 In the event of any reorganization or reclassification of the outstanding shares of Common Stock (other than a change in par value or from no par value to par value, or from par value to no par value, or as a result of a subdivision or combination) or in the event of any consolidation or merger of the Company with another entity after which the Company is not the surviving entity, at any time prior to the expiration of this Warrant, upon subsequent exercise of this Warrant the Holder shall have the right to receive the same kind and number of shares of common stock and other securities, cash or other property as would have been distributed to the Holder upon such reorganization, reclassification, consolidation or merger had the Holder exercised this Warrant immediately prior to such reorganization, reclassification, consolidation or merger, appropriately adjusted for any subsequent event described in this Section 5. The Holder shall pay upon such exercise the Exercise Price that otherwise would have been payable pursuant to the terms of this Warrant. If any such reorganization, reclassification, consolidation or merger results in a cash distribution in excess of the then applicable Exercise Price, the holder may, at the Holder's option, exercise this Warrant without making payment of the Exercise Price, and in such case the Company shall, upon distribution to the Holder, consider the Exercise Price to have been paid in full, and in making settlement to the Holder, shall deduct an amount equal to the Exercise Price from the amount payable to the Holder. In the event of any such reorganization, merger or consolidation, the corporation formed by such consolidation or merger or the corporation which shall have acquired the assets of the Company shall execute and deliver a supplement hereto to the foregoing effect, which supplement shall also provide for adjustments which shall be as nearly equivalent as may be practicable to the adjustments provided in this Warrant.

5.3 If the Company shall, at any time before the expiration of this Warrant, dissolve, liquidate or wind up its affairs, the Holder shall have the right to receive upon exercise of this Warrant, in lieu of the shares of Common Stock of the Company that the Holder otherwise would have been entitled to receive, the same kind and amount of assets as would have been issued, distributed or paid to the Holder upon any such dissolution, liquidation or winding up with respect to such Common Stock receivable upon exercise of this Warrant on the date for determining those entitled to receive any such distribution. If any such dissolution, liquidation or winding up results in any cash distribution in excess of the Exercise Price provided by this Warrant, the Holder may, at the Holder's option, exercise this Warrant without making payment of the Exercise Price and, in such case, the Company shall, upon distribution to the Holder, consider the Exercise Price to have been paid in full and, in making settlement to the Holder, shall deduct an amount equal to the Exercise Price from the amount payable to the Holder.

6. Notices to Holder. So long as this Warrant shall be outstanding (a) if the Company shall pay any dividends or make any distribution upon the Common Stock otherwise than in cash or (b) if the Company shall offer generally to the holders of Common Stock the right to subscribe to or purchase any shares of any class of Common Stock or securities convertible into Common Stock or any similar rights or (c) if there shall be any capital reorganization of the Company in which the Company is not the surviving entity, recapitalization of the capital stock of the Company, consolidation or merger of the Company with or into another corporation, sale, lease or other transfer of all or substantially all of the property and assets of the Company, or voluntary or involuntary dissolution, liquidation or winding up of the Company, then in such event, the Company shall cause to be mailed to the

Holder, at least thirty (30) days prior to the relevant date described below (or such shorter period as is reasonably possible if thirty (30) days is not reasonably possible), a notice containing a description of the proposed action and stating the date or expected date on which a record of the Company's shareholders is to be taken for the purpose of any such dividend, distribution of rights, or such reclassification, reorganization, consolidation, merger, conveyance, lease or transfer, dissolution, liquidation or winding up is to take place and the date or expected date, if any is to be fixed, as of which the holders of Common Stock of record shall be entitled to exchange their shares of Common Stock for securities or other property deliverable upon such event.

7. Transfer, Exercise, Exchange, Assignment or Loss of Warrant, Warrant Shares or Other Securities.

7.1 This Warrant may be transferred, exercised, exchanged or assigned ("transferred"), in whole or in part, subject to the following restrictions. This Warrant and the Warrant Shares or any other securities ("Other Securities") received upon exercise of this Warrant shall be subject to restrictions on transferability until registered under the Securities Act of 1933, as amended (the "Securities Act"), unless an exemption from registration is available. Until this Warrant and the Warrant Shares or Other Securities are so registered, this Warrant and any certificate for Warrant Shares or Other Securities issued or issuable upon exercise of this Warrant shall contain a legend on the face thereof, in form and substance satisfactory to counsel for the Company, stating that this Warrant the Warrant Shares or Other Securities may not be sold, transferred or otherwise disposed of unless, in the opinion of counsel satisfactory to the Company, which may be counsel to the Company, that this Warrant, the Warrant Shares or Other Securities may be transferred without such registration. This Warrant and the Warrant Shares or Other Securities may also be subject to restrictions on transferability under applicable state securities or blue sky laws. Until this Warrant and the Warrant Shares or Other Securities are registered under the Securities Act, the Holder shall reimburse the Company for its expenses, including attorneys' fees, incurred in connection with any transfer or assignment, in whole or in part, of this Warrant or any Warrant Shares or Other Securities.

7.2 Until this Warrant, the Warrant Shares or other Securities are registered under the Securities Act, the Company may require, as a condition of transfer of this Warrant, the Warrant Shares, or Other Securities, that the transferee (who may be the Holder in the case of an exercise or exchange) represent that the securities being transferred are being acquired for investment purposes and for the transferee's own account and not with a view to or for sale in connection with any distribution of the security.

7.3 Any transfer permitted hereunder shall be made by surrender of this Warrant to the Company or to the Transfer Agent at its offices with a duly executed request to transfer the Warrant, which shall provide adequate information to effect such transfer and shall be accompanied by funds sufficient to pay any transfer taxes applicable. Upon satisfaction of all transfer conditions, the Company or Transfer Agent shall, without charge, execute and deliver a new Warrant in the name of the transferee named in such transfer request, and this Warrant promptly shall be cancelled.

7.4 Upon receipt by the Company of evidence satisfactory to it of loss, theft, destruction or mutilation of this Warrant and, in the case of loss, theft or destruction, of

reasonable satisfactory indemnification, or, in the case of mutilation, upon surrender of this Warrant, the Company will execute and deliver, or instruct the Transfer Agent to execute and deliver, a new Warrant of like tenor and date, any such lost, stolen or destroyed Warrant thereupon shall become void.

8. Representations and Warranties of the Holder. The Holder hereby represents and warrants to the Company with respect to the issuance of the Warrant as follows:

8.1 Experience. The Holder has substantial experience in evaluating and investing in securities in companies similar to the Company so that such Holder is capable of evaluating the merits and risks of such Holder's investment in the Company and has the capacity to protect such Holder's own interests.

8.2 Investment. The Holder is acquiring this Warrant (and the Warrant Shares issuable upon exercise of this Warrant) for investment for such Holder's own account, not as a nominee or agent, and not with the view to, or for resale in connection with, any distribution thereof. The Holder understands that this Warrant (and the Warrant Shares issuable upon exercise of the Warrant) have not been, and will not be, registered under the Securities Act by reason of a specific exemption from the registration provisions of the Securities Act which depends upon, among other things, the bona fide nature of the investment intent and the accuracy of such Holder's representations as expressed herein.

8.3 Held Indefinitely. The Holder acknowledges that this Warrant (and the Warrant Shares issuable upon exercise of this Warrant) must be held indefinitely unless subsequently registered under the Securities Act or an exemption from such registration is available.

8.4 Accredited Holder. The Holder is an "accredited investor" within the meaning of Rule 501 of Regulation D under the Securities Act.

8.5 Legends. The Holder understands and acknowledges that the certificate(s) evidencing the securities issued by the Company will be imprinted with a restrictive legend as referenced in Section 7.1 above.

8.6 Access to Data. The Holder has had an opportunity to discuss the Company's business, management, and financial affairs with the Company's management and the opportunity to review the Company's facilities and business plans. The Holder has also had an opportunity to ask questions of officers of the Company, which questions were answered to its satisfaction.

8.7 Authorization. This Warrant and the agreements contemplated hereby, when executed and delivered by the Holder, will constitute a valid and legally binding obligation of the Holder, enforceable in accordance with their respective terms.

8.8 Brokers or Finders. The Company has not incurred, and will not incur, directly or indirectly, as a result of any action taken by such Holder, any liability for brokerage or finders' fees or agents' commissions or any similar charges in connection with this Warrant or any transaction contemplated hereby.

9. Notices. All notices, requests, demands or other communications hereunder shall be in writing and shall be deemed to have been duly given, if delivered in person or mailed, certified, return-receipt requested, postage prepaid to the address set forth on the signature page below. Any party hereto may from time to time, by written notice to the other parties, designate a different address, which shall be substituted for the one specified below for such party. If any notice or other document is sent by certified or registered mail, return receipt requested, postage prepaid, properly addressed as aforementioned, the same shall be deemed served or delivered seventy-two (72) hours after mailing thereof. If any notice is sent by fax or email to a party, it will be deemed to have been delivered on the date the fax or email thereof is actually received, provided the original thereof is sent by certified mail, in the manner set forth above, within twenty-four (24) hours after the fax or email is sent.

10. Amendment. Any provision of this Warrant may be amended or the observance thereof may be waived (either generally or in a particular instance and either retroactively or prospectively), only with the written consent of the Company and the Holder.

11. Governing Law. This Warrant shall be governed by and construed in accordance with the laws of the State of Oregon.

IN WITNESS WHEREOF, the Company and the Holder have executed this Warrant on the respective dates set forth below.

HOLDER

Date: _____

CYTODYN INC.

Date: _____

By: _____
Name:
Title:

FORM OF EXERCISE

**To be executed upon exercise of Warrant
(please print)**

The undersigned hereby irrevocably elects to exercise the right, represented by this Warrant Number _____ certificate, to purchase _____ shares of common stock, no par value per share ("Common Stock") of CytoDyn Inc. (the "Company") and herewith tenders payment for such shares of Common Stock to the order of the Company the amount of \$1.50 per share in accordance with the terms hereof. The undersigned requests that a certificate for such shares of Common Stock be registered in the name of _____ whose address is _____. If said number of shares of Common Stock is less than all of the shares of Common Stock purchasable hereunder, the undersigned requests that a new Warrant Certificate representing the remaining balance of the shares of Common Stock be registered in the name of _____, whose address is _____, and that such Warrant Certificate be delivered to _____, whose address is _____.

Representations of the undersigned.

- a) The undersigned acknowledges that the undersigned has received, read and understood the Warrant and agrees to abide by and be bound by its terms and conditions.
- b) (i) The undersigned has such knowledge and experience in business and financial matters that the undersigned is capable of evaluating the Company and the proposed activities thereof, and the risks and merits of this prospective investment.

[] YES [] NO

(ii) If "No", the undersigned is represented by a "purchaser representative," as that term is defined in Regulation D under the Securities Act of 1933, as amended (the "Securities Act").

[] YES [] NO

- c) (i) The undersigned is an "accredited investor," as that term is defined in the Securities Act.

[] YES [] NO

(ii) If "Yes," the undersigned comes within the following category of that definition (check one and complete the blanks as applicable):

- [] 1. The undersigned is a natural person whose present net worth (or whose joint net worth with his or her spouse), excluding the value of the undersigned's primary residence, exceeds \$1,000,000. For purposes of

calculating the undersigned's present net worth, the undersigned has included the following as liabilities: (i) any indebtedness that is secured by the undersigned's primary residence in excess of the estimated fair market value of the undersigned's primary residence at the time of the sale of the shares, and (ii) any incremental debt secured by the undersigned's primary residence that was incurred in the 60 days before the sale of the shares, other than as a result of the acquisition of the undersigned's primary residence.

- 2. The undersigned is a natural person who had individual income in excess of \$200,000 in each of the last two years or joint income with the undersigned's spouse in excess of \$300,000 during such two years, and the undersigned reasonably expects to have the same income level in the current year.
- 3. The undersigned is an officer or director of the Company.
- 4. The undersigned is a corporation or partnership not formed for the specific purpose of acquiring the securities offered, with total assets in excess of \$5,000,000.
- 5. The undersigned is a trust with total assets in excess of \$5,000,000 whose purchase is directed by a person with such knowledge and experience in financial and business matters that such person is capable of evaluating the merits and risks of the prospective investment.
- 6. The undersigned is an entity, all of whose equity owners are accredited investors under paragraphs 1, 2, 3, 4 or 5, above.

d) The undersigned understands that the shares purchased hereunder have not been registered under the Securities Act, in reliance upon the exemption from the registration requirements under the Securities Act pursuant to Section 4(2) of the Securities Act and Rule 506 promulgated thereunder; and, therefore, that the undersigned must bear the economic risk of the investment for an indefinite period of time since the securities cannot be sold, transferred or assigned to any person or entity without compliance with the provisions of the Securities Act.

Submitted by:

Accepted by CytoDyn Inc.:

By: _____
Date: _____
SS/Tax ID: _____
Telephone: _____
Email: _____

By: _____
Date: _____
Tax ID: _____

(Signature must conform in all respects to name of holder as specified on the face of the Warrant Certificate.)

EXHIBIT "B"

NOTICE OF CONVERSION

(please print)

To: CYTODYN INC.

1. In accordance with that certain Convertible Promissory Note issued by CYTODYN INC. to _____ on _____, 201 (the "Promissory Note"), the undersigned hereby elects to convert \$ _____ of the principal amount of the Promissory Note, together with any related accrued but unpaid interest, into Shares.

2. Please issue a certificate or certificates representing the Shares in the name of the undersigned or in such other name or names as are specified below:

(Name)

(Address)

3. The undersigned represents that the aforesaid Shares are being acquired for the account of the undersigned for investment and not with a view to, or for resale in connection with, the distribution thereof and that the undersigned has no present intention of distributing or reselling such Shares. In support thereof, the undersigned has executed an Investment Representation Statement attached hereto as Schedule 1.

4. All capitalized terms used but not defined herein shall have the meaning ascribed to such terms in the Promissory Note.

(Signature)

(Date)

Contact telephone: _____

Email: _____

SCHEDULE 1

INVESTMENT REPRESENTATION STATEMENT

Purchaser: _____
Company CYTODYN INC.
Security: Common Stock
Amount:
Date:

In connection with the purchase of the above-listed securities (the "Shares") pursuant to that certain Convertible Promissory Note issued by CYTODYN INC. to _____ on _____, 201 (the "Promissory Note"), the undersigned (the "Purchaser") represents to the Maker as follows:

- (a) The Purchaser is aware of the Maker's business affairs and financial condition, and has acquired information about the Maker sufficient to reach an informed and knowledgeable decision to acquire the Shares. The Purchaser is acquiring the Shares for his own account for investment purposes only and not with a view to, or for the resale in connection with, any "distribution" thereof for purposes of the Securities Act. The Purchaser is an "accredited investor" as that term is defined in Securities and Exchange Commission Rule 501(a) of Regulation D.
- (b) The Purchaser understands that the Shares have not been registered under the Securities Act in reliance upon a specific exemption therefrom, which exemption depends upon, among other things, the bona fide nature of the Purchaser's investment intent as expressed herein.
- (c) The Purchaser further understands that the Shares must be held indefinitely unless subsequently registered under the Securities Act and any applicable state securities laws, or unless exemptions from registration are otherwise available.
- (d) The Purchaser is aware of the provisions of Rule 144, promulgated under the Securities Act, which, in substance, permit limited public resale of "restricted securities" acquired by non-affiliates of the issuer thereof, directly or indirectly, from the issuer (or from an affiliate of such issuer), in a non-public offering subject to the satisfaction of certain conditions, if applicable, including, among other things, the availability of certain public information about the Maker and the resale occurring not less than six (6) months after the party has purchased and paid for the securities to be sold.
- (e) The Purchaser further understands that at the time Purchaser wishes to sell the Shares there may be no public market upon which to make such a sale, and that, even if such a public market then exists, the Maker may not have filed all reports and other materials required under Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, other than Form 8-K reports, during the preceding 12 months, and that, in such event, because the Maker used to be a "shell company" as contemplated under Rule 144(i), Rule 144 will not be available to the Purchaser.

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- (f) The Purchaser further understands that in the event all of the requirements of Rule 144 are not satisfied, registration under the Securities Act, compliance with Regulation A, or some other registration exemption will be required; and that, notwithstanding the fact that Rule 144 is not exclusive, the staff of the Securities and Exchange Commission has expressed its opinion that persons proposing to sell private placement securities other than in a registered offering and otherwise than pursuant to Rule 144 will have a substantial burden of proof in establishing that an exemption from registration is available for such offers or sales, and that such persons and their respective brokers who participate in such transactions do so at their own risk.

All capitalized terms used but not defined herein shall have the meaning ascribed to such terms in the Promissory Note.

Purchaser: _____

Date: _____

THIS CONVERTIBLE PROMISSORY NOTE AND THE SECURITIES TO BE DELIVERED IN CONNECTION HEREWITH AND UPON CONVERSION HEREOF HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR UNDER ANY STATE SECURITIES LAW. NO SALE, ASSIGNMENT, PLEDGE OR OTHER TRANSFER OF EITHER THIS CONVERTIBLE PROMISSORY NOTE OR ANY SUCH SECURITIES MAY BE MADE EXCEPT PURSUANT TO THE PROVISIONS OF THE ACT AND APPLICABLE STATE SECURITIES LAWS OR UNLESS AN OPINION OF COUNSEL, SATISFACTORY TO MAKER, IS OBTAINED STATING THAT SUCH SALE, ASSIGNMENT, PLEDGE OR TRANSFER IS IN COMPLIANCE WITH AN AVAILABLE EXEMPTION UNDER THE ACT AND APPLICABLE STATE SECURITIES LAWS.

THIS CONVERTIBLE PROMISSORY NOTE HAS BEEN EXECUTED AND DELIVERED OUTSIDE OF THE STATE OF FLORIDA AND NO FLORIDA DOCUMENTARY STAMP TAXES ARE DUE.

FORM OF CONVERTIBLE PROMISSORY NOTE

\$.00 , 201

FOR VALUE RECEIVED, CYTODYN INC., a Colorado corporation ("Maker"), hereby promises to pay to ("Holder") the principal amount of and 00/100 Dollars (\$.00), together with interest thereon at a fixed simple interest rate of five percent (5%) per annum.

Principal outstanding under this Convertible Promissory Note (this "Promissory Note") shall be due and payable in cash in a single payment on , 201 (the "Due Date"). Interest shall be payable in cash semiannually in arrears beginning on , 201 , and continuing on each of , 201 , , 201 , , 201 , , 201 , and , 201 , except to the extent that this Promissory Note has been previously converted into shares of Maker's common stock (the "Shares") as set forth below.

In connection with this Promissory Note, Holder is entitled to, at no additional cost to Holder, a warrant to purchase Shares (the "Warrants," and together with the Shares, collectively, the "Securities") at an exercise price of \$2.00 per Share (the "Exercise Price"), in substantially the form attached hereto as Exhibit A. The Warrants are exercisable at the option of the Holder at any time after , 201 (the "Effective Date"), but not later than two (2) years after the Effective Date.

All or any portion of principal and any related accrued but unpaid interest hereunder may be converted (each, a "Conversion") at any time by Holder into a number of Shares determined by dividing the converted principal amount and related accrued but unpaid interest by the conversion price of \$0.75 per Share, with the resulting number of Shares to be issued, rounded down to the nearest whole Share, being referred to as the "Conversion Share Number."

No Conversion hereunder shall be effective unless written notice of the Conversion is given by Holder at least five (5) days prior to such Conversion, in substantially the form attached hereto as Exhibit B. Notwithstanding the foregoing, no Conversion hereunder shall be permitted after a date that is later than 30 days prior to the Due Date.

The Maker shall not issue any fractional Shares upon Conversion by Holder of any principal and related accrued but unpaid interest hereunder or upon the exercise of the Warrants. With respect to any fraction of a Share resulting from such Conversion or exercise, the Maker shall issue to Holder a number of Shares rounded down to the nearest whole Share.

Default in the payment of the principal of or interest on this Promissory Note when the same becomes due and payable shall constitute an event of default hereunder.

Upon the occurrence of an event of default, or at any time thereafter during the continuance of any such event, the Holder may, with or without notice to the Maker, declare this Promissory Note to be forthwith due and payable, whereupon this Promissory Note and the indebtedness evidenced hereby shall forthwith be due and payable, both as to principal and interest, without presentment, demand, protest, or other notice of any kind, all of which are hereby expressly waived, anything contained herein or in any other instrument executed in connection with or securing this Note to the contrary notwithstanding. If the Due Date of this Promissory Note is accelerated as provided above, the Holder may convert the principal portion of this Promissory Note into Shares at any time prior to the payment of such principal amount.

If the Maker sells all or substantially all of its assets to a third party, merges, or consolidates with another entity, or engages in any other transaction with a third party requiring approval of the shareholders of the Maker, Maker shall give prompt notice to the Holder, and Holder may immediately convert the principal amount of this Promissory Note into Shares at any time prior to the consummation of such transaction.

If this Promissory Note or any interest hereon becomes due and payable on Saturday, Sunday or other day on which commercial banks are authorized or permitted to close under the laws of the State of Oregon, the maturity of this Promissory Note or such installment shall be extended to the next succeeding business day.

Maker may elect to prepay, on or before the Due Date, but not earlier than one (1) year following the effective date of this Promissory Note, all or any portion of the outstanding principal balance under this Promissory Note, together with accrued but unpaid interest, by wire transfer or other cash equivalent acceptable to Maker; provided, however, for any such prepayment, Maker must first give Holder at least ten (10) days prior notice of such prepayment and, during such time, Holder may elect in writing to effect a Conversion of all or a portion of such principal balance, together with any accrued but unpaid interest so desired to be prepaid by Maker, into Shares as provided herein.

If the payment of principal or any payment of interest or both is more than five (5) days late, the Maker agrees to pay the Holder a late charge equal to three percent (3%) of the payment (the "Late Fee"). The provisions of this Promissory Note establishing a Late Fee shall not be deemed to extend the time for any payment due or to constitute a "grace period" giving the Maker a right to cure such default.

This Promissory Note and the Securities to be issued in connection herewith and upon Conversion hereof may not be offered, sold or otherwise disposed of except under circumstances which will not result in a violation of the Securities Act of 1933, as amended (the "Securities Act"). Upon Conversion of this Promissory Note, the Holder hereof will be required to confirm in writing, by executing the form attached as Schedule 1 to Exhibit B hereto, that the Shares so purchased are being acquired for investment and not with a view toward distribution or resale. This Promissory Note and all Shares issued upon Conversion hereof or upon the exercise of the Warrants (unless registered under the Securities Act) shall be stamped or imprinted with a legend in substantially the following form:

"THE SHARES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 OR THE SECURITIES ACT OF ANY STATE. THE SHARES HAVE BEEN ACQUIRED FOR INVESTMENT AND MAY NOT BE SOLD, TRANSFERRED FOR VALUE, PLEDGED, HYPOTHECATED, OR OTHERWISE ENCUMBERED IN THE ABSENCE OF AN EFFECTIVE REGISTRATION OF THEM UNDER THE SECURITIES ACT OF 1933 OR THE SECURITIES ACT OF ANY STATE OR AN APPLICABLE EXEMPTION FROM REGISTRATION UNDER SUCH ACT OR ACTS."

With respect to any offer, sale or other disposition of this Promissory Note or any Securities to be issued in connection herewith or upon Conversion hereof prior to registration of such Promissory Note or Securities, the Holder hereof and each subsequent Holder of this Promissory Note will be required to give written notice to the Maker prior thereto, describing briefly the manner thereof, together with a written opinion of such Holder's counsel reasonably acceptable to the Maker's counsel, if such opinion is reasonably requested by the Maker, to the effect that such offer, sale or other disposition may be effected without registration or qualification (under the Securities Act as then in effect or any federal or state law then in effect) of this Promissory Note or such Securities and indicating whether or not under the Securities Act this Promissory Note or certificates for such Securities to be sold or otherwise disposed of require any restrictive legend as to applicable restrictions on transferability in order to ensure compliance with applicable law. Promptly upon receiving such written notice and reasonably satisfactory opinion, if so requested, the Maker, as promptly as practicable, shall notify such Holder that such Holder may sell or otherwise dispose of this Promissory Note or such Securities, all in accordance with the terms of the notice delivered to the Maker. If a determination has been made pursuant to this paragraph that the opinion of counsel for the Holder is not reasonably satisfactory to the Maker, the Maker shall so notify the Holder promptly after such determination has been made and neither this Promissory Note nor any Securities shall be sold or otherwise disposed of until such disagreement has been resolved. The foregoing notwithstanding, this Promissory Note or such Securities may as to such federal laws, be offered, sold or otherwise disposed of in accordance with Rule 144 under the Securities Act, provided that the Maker shall have been furnished with such information as the Maker may

reasonably request to provide a reasonable assurance that the provisions of Rule 144 have been satisfied. This Promissory Note and each certificate representing the Securities thus transferred (except a transfer pursuant to Rule 144) shall bear a legend as to the applicable restrictions on transferability in order to ensure compliance with such laws, unless in the aforesaid opinion of counsel for the Holder, reasonably acceptable to the Maker, such legend is not required in order to ensure compliance with such laws. The Maker may issue stop transfer instructions to its transfer agent or, if acting as its own transfer agent, the Maker may stop transfer on its corporate books, in connection with such restrictions.

Any provision of this Promissory Note that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof or affecting the validity or enforceability of such provision in any other jurisdiction.

This Promissory Note is not transferable or assignable by the Maker without the consent of the Holder. This Promissory Note is not transferable or assignable by the Holder without the consent of the Maker. If this Promissory Note is collected by law or through an attorney at law, or under advice therefrom, the Maker agrees to pay all costs of collection, including reasonable attorneys' fees. Reasonable attorneys' fees are defined to include, but not be limited to, all fees incurred in all matters of collection and enforcement, trial proceedings and appeals, as well as appearances in and connected with any bankruptcy proceedings or creditors' reorganization or similar proceedings and any post judgment collection efforts.

Any failure to exercise any right, remedy or recourse hereunder shall not be deemed to be a waiver or release of the same, such waiver or release to be effected only through a written document executed by the Holder and then only to the extent specifically recited therein. A waiver or release with reference to any one event shall not be construed as continuing, as a bar to, or as a waiver or release of any subsequent right, remedy or recourse as to a subsequent event.

In no event shall the amount of interest due or payments in the nature of interest payable hereunder exceed the maximum rate of interest allowed by applicable law, as amended from time to time, and in the event any such payment is paid by the Maker or received by the Holder, then such excess sum shall be credited as a payment of principal, unless the Maker shall notify the Holder, in writing, that the Maker elects to have such excess sum returned to the Maker forthwith.

The Maker hereby waives all and every exemption secured to it by the laws and constitution of the State of Oregon, and of any other state. The Maker hereby waives demand, presentment, protest, notice of nonpayment or dishonor, and any other notice required by law and agrees that its obligation hereunder shall not be affected by any renewal or extension of the time of payment hereof, or by any indulgences.

This Promissory Note shall be governed by and construed in accordance with the laws of the State of Oregon applicable to debts and obligations incurred and to be paid solely in such jurisdiction. This Promissory Note may not be modified or amended and no provision hereof may be waived except by a written instrument executed by the parties to be bound thereby.

CYTODYN INC.

By: _____

EXHIBIT "A"

Warrant Number

THE WARRANT REPRESENTED BY THIS CERTIFICATE AND THE SHARES ISSUABLE UPON EXERCISE THEREOF HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT") OR QUALIFIED UNDER ANY APPLICABLE STATE SECURITIES LAW ("APPLICABLE STATE SECURITIES LAW"). THIS WARRANT HAS BEEN ACQUIRED FOR INVESTMENT AND NOT WITH A VIEW TO, OR FOR SALE IN CONNECTION WITH, ANY DISTRIBUTION THEREOF WITHIN THE MEANING OF THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAW. THIS WARRANT AND THE SHARES ISSUABLE UPON EXERCISE THEREOF MAY NOT BE PLEDGED, SOLD, ASSIGNED OR TRANSFERRED UNLESS A REGISTRATION STATEMENT WITH RESPECT THERETO UNDER THE SECURITIES ACT IS EFFECTIVE, AND ANY APPLICABLE STATE SECURITIES LAW REQUIREMENTS HAVE BEEN MET OR EXEMPTIONS FROM THE REGISTRATION REQUIREMENTS UNDER THE SECURITIES ACT AND THE REGISTRATION OR QUALIFICATION REQUIREMENTS OF APPLICABLE STATE SECURITIES LAW ARE AVAILABLE. NO TRANSFER OF ANY INTEREST IN THIS WARRANT OR THE SECURITIES PURCHASABLE UPON EXERCISE MAY BE EFFECTED WITHOUT FIRST SURRENDERING THIS WARRANT OR SUCH SECURITIES, AS THE CASE MAY BE, TO THE COMPANY OR ITS TRANSFER AGENT, IF ANY.

Warrant to Purchase
Shares of
Common Stock
As Herein Described

, 201

WARRANT TO PURCHASE COMMON STOCK OF

CYTODYN INC.

This is to certify that, for value received, _____, or a proper assignee (the "Holder"), is entitled to purchase up to _____ shares ("Warrant Shares") of common stock, no par value per share (the "Common Stock"), of CytoDyn Inc., a Colorado corporation (the "Company"), subject to the provisions of this Warrant Number _____, from the Company. This Warrant shall be exercisable at Two Dollars (\$2.00) per share (the "Exercise Price"). This Warrant also is subject to the following terms and conditions:

1. Exercise and Payment; Exchange.

(a) This Warrant may be exercised in whole or in part at any time from and after the date hereof (the "Commencement Date") through 5:00 p.m., Pacific time, on _____, 201____ (the "Expiration Date"), at which time this Warrant shall expire and become void, but if

such date is a day on which federal or state chartered banking institutions located in the State of Oregon are authorized to close, then on the next succeeding day which shall not be such a day. Exercise shall be by presentation and surrender to the Company, or at the office of any transfer agent designated by the Company (the "Transfer Agent"), of (i) this Warrant, (ii) the attached exercise form properly executed, and (iii) a certified or official bank check for the Exercise Price for the number of Warrant Shares specified in the exercise form. If this Warrant is exercised in part only, the Transfer Agent shall, upon surrender of the Warrant, execute and deliver a new Warrant evidencing the rights of the Holder to purchase the remaining number of Warrant Shares purchasable hereunder. Upon receipt by the Company of this Warrant in proper form for exercise, accompanied by payment as aforesaid, the Holder shall be deemed to be the holder of record of the Common Stock issuable upon such exercise, notwithstanding that the stock transfer books of the Company shall then be closed or that certificates representing such Warrant Shares shall not then be actually delivered by the Holder.

(b) Conditions to Exercise or Exchange. The restrictions in Section 7 shall apply, to the extent applicable by their terms, to any exercise or exchange of this Warrant permitted by this Section 1.

2. Reservation of Shares. The Company shall, at all times until the expiration of this Warrant, reserve for issuance and delivery upon exercise of this Warrant the number of Warrant Shares which shall be required for issuance and delivery upon exercise of this Warrant.

3. Fractional Interests. The Company shall not issue any fractional shares or scrip representing fractional shares upon the exercise or exchange of this Warrant. With respect to any fraction of a share resulting from the exercise or exchange hereof, the Company shall pay to the Holder an amount in cash equal to such fraction multiplied by the current fair market value per share of Common Stock, determined as follows:

(a) If the Common Stock is listed on a national securities exchange or admitted to unlisted trading privileges on such an exchange, the current fair market value shall be the last reported sale price of the Common Stock on such exchange on the last business day prior to the date of exercise of this Warrant or if no such sale is made on such day, the mean of the closing bid and asked prices for such day on such exchange;

(b) If the Common Stock is not so listed or admitted to unlisted trading privileges or quoted on a national securities exchange, the current fair market value shall be the mean of the last bid and asked prices reported on the last business day prior to the date of the exercise of this Warrant by the OTC Markets Group, Inc.; or

(c) If the Common Stock is not so listed or admitted to unlisted trading privileges and bid and asked prices are not so reported, the current fair market value shall be an amount, not less than book value, determined in such reasonable manner as may be prescribed by the Company in good faith.

4. No Rights as Shareholder. This Warrant shall not entitle the Holder to any rights as a shareholder of the Company, either at law or in equity. The rights of the Holder are limited to those expressed in this Warrant and are not enforceable against the Company except to the extent set forth herein.

5. Adjustments in Number and Exercise Price of Warrant Shares.

5.1 The number of shares of Common Stock for which this Warrant may be exercised and the Exercise Price therefor shall be subject to adjustment as follows:

(a) If the Company is recapitalized through the subdivision or combination of its outstanding shares of Common Stock into a larger or smaller number of shares, the number of shares of Common Stock for which this Warrant may be exercised shall be increased or reduced, as of the record date for such recapitalization, in the same proportion as the increase or decrease in the outstanding shares of Common Stock, and the Exercise Price shall be adjusted so that the aggregate amount payable for the purchase of all of the Warrant Shares issuable hereunder immediately after the record date for such recapitalization shall equal the aggregate amount so payable immediately before such record date.

(b) If the Company declares a dividend on Common Stock payable in Common Stock or securities convertible into Common Stock, the number of shares of Common Stock for which this Warrant may be exercised shall be increased as of the record date for determining which holders of Common Stock shall be entitled to receive such dividend, in proportion to the increase in the number of outstanding shares (and shares of Common Stock issuable upon conversion of all such securities convertible into Common Stock) of Common Stock as a result of such dividend, and the Exercise Price shall be adjusted so that the aggregate amount payable for the purchase of all the Warrant Shares issuable hereunder immediately after the record date for such dividend shall equal the aggregate amount so payable immediately before such record date.

(c) If the Company distributes to holders of its Common Stock, other than as part of its dissolution or liquidation or the winding up of its affairs, any shares of its Common Stock, any evidence of indebtedness or any of its assets (other than cash, Common Stock or securities convertible into Common Stock), the Company shall give written notice to the Holder of any such distribution at least fifteen (15) days prior to the proposed record date in order to permit the Holder to exercise this Warrant on or before the record date. There shall be no adjustment in the number of shares of Common Stock for which this Warrant may be exercised, or in the Exercise Price, by virtue of any such distribution.

(d) If the Company offers rights or warrants to the holders of Common Stock which entitle them to subscribe to or purchase additional Common Stock or securities convertible into Common Stock, the Company shall give written notice of any such proposed offering to the Holder at least fifteen (15) days prior to the proposed record date in order to permit the Holder to exercise this Warrant on or before such record date. There shall be no adjustment in the number of shares of Common Stock for which this Warrant may be exercised, or in the Exercise Price, by virtue of any such distribution.

(e) If the event, as a result of which an adjustment is made under paragraph (a) or (b) above, does not occur, then any adjustments in the Exercise Price or number of shares issuable that were made in accordance with such paragraph (a) or (b) shall be adjusted to the Exercise Price and number of shares as were in effect immediately prior to the record date for such event.

5.2 In the event of any reorganization or reclassification of the outstanding shares of Common Stock (other than a change in par value or from no par value to par value, or from par value to no par value, or as a result of a subdivision or combination) or in the event of any consolidation or merger of the Company with another entity after which the Company is not the surviving entity, at any time prior to the expiration of this Warrant, upon subsequent exercise of this Warrant the Holder shall have the right to receive the same kind and number of shares of common stock and other securities, cash or other property as would have been distributed to the Holder upon such reorganization, reclassification, consolidation or merger had the Holder exercised this Warrant immediately prior to such reorganization, reclassification, consolidation or merger, appropriately adjusted for any subsequent event described in this Section 5. The Holder shall pay upon such exercise the Exercise Price that otherwise would have been payable pursuant to the terms of this Warrant. If any such reorganization, reclassification, consolidation or merger results in a cash distribution in excess of the then applicable Exercise Price, the holder may, at the Holder's option, exercise this Warrant without making payment of the Exercise Price, and in such case the Company shall, upon distribution to the Holder, consider the Exercise Price to have been paid in full, and in making settlement to the Holder, shall deduct an amount equal to the Exercise Price from the amount payable to the Holder. In the event of any such reorganization, merger or consolidation, the corporation formed by such consolidation or merger or the corporation which shall have acquired the assets of the Company shall execute and deliver a supplement hereto to the foregoing effect, which supplement shall also provide for adjustments which shall be as nearly equivalent as may be practicable to the adjustments provided in this Warrant.

5.3 If the Company shall, at any time before the expiration of this Warrant, dissolve, liquidate or wind up its affairs, the Holder shall have the right to receive upon exercise of this Warrant, in lieu of the shares of Common Stock of the Company that the Holder otherwise would have been entitled to receive, the same kind and amount of assets as would have been issued, distributed or paid to the Holder upon any such dissolution, liquidation or winding up with respect to such Common Stock receivable upon exercise of this Warrant on the date for determining those entitled to receive any such distribution. If any such dissolution, liquidation or winding up results in any cash distribution in excess of the Exercise Price provided by this Warrant, the Holder may, at the Holder's option, exercise this Warrant without making payment of the Exercise Price and, in such case, the Company shall, upon distribution to the Holder, consider the Exercise Price to have been paid in full and, in making settlement to the Holder, shall deduct an amount equal to the Exercise Price from the amount payable to the Holder.

6. Notices to Holder. So long as this Warrant shall be outstanding (a) if the Company shall pay any dividends or make any distribution upon the Common Stock otherwise than in cash or (b) if the Company shall offer generally to the holders of Common Stock the right to subscribe to or purchase any shares of any class of Common Stock or securities convertible into Common Stock or any similar rights or (c) if there shall be any capital reorganization of the Company in which the Company is not the surviving entity, recapitalization of the capital stock of the Company, consolidation or merger of the Company with or into another corporation, sale, lease or other transfer of all or substantially all of the property and assets of the Company, or voluntary or involuntary dissolution, liquidation or winding up of the Company, then in such event, the Company shall cause to be mailed to the

Holder, at least thirty (30) days prior to the relevant date described below (or such shorter period as is reasonably possible if thirty (30) days is not reasonably possible), a notice containing a description of the proposed action and stating the date or expected date on which a record of the Company's shareholders is to be taken for the purpose of any such dividend, distribution of rights, or such reclassification, reorganization, consolidation, merger, conveyance, lease or transfer, dissolution, liquidation or winding up is to take place and the date or expected date, if any is to be fixed, as of which the holders of Common Stock of record shall be entitled to exchange their shares of Common Stock for securities or other property deliverable upon such event.

7. Transfer, Exercise, Exchange, Assignment or Loss of Warrant, Warrant Shares or Other Securities.

7.1 This Warrant may be transferred, exercised, exchanged or assigned ("transferred"), in whole or in part, subject to the following restrictions. This Warrant and the Warrant Shares or any other securities ("Other Securities") received upon exercise of this Warrant shall be subject to restrictions on transferability until registered under the Securities Act of 1933, as amended (the "Securities Act"), unless an exemption from registration is available. Until this Warrant and the Warrant Shares or Other Securities are so registered, this Warrant and any certificate for Warrant Shares or Other Securities issued or issuable upon exercise of this Warrant shall contain a legend on the face thereof, in form and substance satisfactory to counsel for the Company, stating that this Warrant the Warrant Shares or Other Securities may not be sold, transferred or otherwise disposed of unless, in the opinion of counsel satisfactory to the Company, which may be counsel to the Company, that this Warrant, the Warrant Shares or Other Securities may be transferred without such registration. This Warrant and the Warrant Shares or Other Securities may also be subject to restrictions on transferability under applicable state securities or blue sky laws. Until this Warrant and the Warrant Shares or Other Securities are registered under the Securities Act, the Holder shall reimburse the Company for its expenses, including attorneys' fees, incurred in connection with any transfer or assignment, in whole or in part, of this Warrant or any Warrant Shares or Other Securities.

7.2 Until this Warrant, the Warrant Shares or other Securities are registered under the Securities Act, the Company may require, as a condition of transfer of this Warrant, the Warrant Shares, or Other Securities, that the transferee (who may be the Holder in the case of an exercise or exchange) represent that the securities being transferred are being acquired for investment purposes and for the transferee's own account and not with a view to or for sale in connection with any distribution of the security.

7.3 Any transfer permitted hereunder shall be made by surrender of this Warrant to the Company or to the Transfer Agent at its offices with a duly executed request to transfer the Warrant, which shall provide adequate information to effect such transfer and shall be accompanied by funds sufficient to pay any transfer taxes applicable. Upon satisfaction of all transfer conditions, the Company or Transfer Agent shall, without charge, execute and deliver a new Warrant in the name of the transferee named in such transfer request, and this Warrant promptly shall be cancelled.

7.4 Upon receipt by the Company of evidence satisfactory to it of loss, theft, destruction or mutilation of this Warrant and, in the case of loss, theft or destruction, of

reasonable satisfactory indemnification, or, in the case of mutilation, upon surrender of this Warrant, the Company will execute and deliver, or instruct the Transfer Agent to execute and deliver, a new Warrant of like tenor and date, any such lost, stolen or destroyed Warrant thereupon shall become void.

8. Representations and Warranties of the Holder. The Holder hereby represents and warrants to the Company with respect to the issuance of the Warrant as follows:

8.1 Experience. The Holder has substantial experience in evaluating and investing in securities in companies similar to the Company so that such Holder is capable of evaluating the merits and risks of such Holder's investment in the Company and has the capacity to protect such Holder's own interests.

8.2 Investment. The Holder is acquiring this Warrant (and the Warrant Shares issuable upon exercise of this Warrant) for investment for such Holder's own account, not as a nominee or agent, and not with the view to, or for resale in connection with, any distribution thereof. The Holder understands that this Warrant (and the Warrant Shares issuable upon exercise of the Warrant) have not been, and will not be, registered under the Securities Act by reason of a specific exemption from the registration provisions of the Securities Act which depends upon, among other things, the bona fide nature of the investment intent and the accuracy of such Holder's representations as expressed herein.

8.3 Held Indefinitely. The Holder acknowledges that this Warrant (and the Warrant Shares issuable upon exercise of this Warrant) must be held indefinitely unless subsequently registered under the Securities Act or an exemption from such registration is available.

8.4 Accredited Holder. The Holder is an "accredited investor" within the meaning of Rule 501 of Regulation D under the Securities Act.

8.5 Legends. The Holder understands and acknowledges that the certificate(s) evidencing the securities issued by the Company will be imprinted with a restrictive legend as referenced in Section 7.1 above.

8.6 Access to Data. The Holder has had an opportunity to discuss the Company's business, management, and financial affairs with the Company's management and the opportunity to review the Company's facilities and business plans. The Holder has also had an opportunity to ask questions of officers of the Company, which questions were answered to its satisfaction.

8.7 Authorization. This Warrant and the agreements contemplated hereby, when executed and delivered by the Holder, will constitute a valid and legally binding obligation of the Holder, enforceable in accordance with their respective terms.

8.8 Brokers or Finders. The Company has not incurred, and will not incur, directly or indirectly, as a result of any action taken by such Holder, any liability for brokerage or finders' fees or agents' commissions or any similar charges in connection with this Warrant or any transaction contemplated hereby.

9. Notices. All notices, requests, demands or other communications hereunder shall be in writing and shall be deemed to have been duly given, if delivered in person or mailed, certified, return-receipt requested, postage prepaid to the address set forth on the signature page below. Any party hereto may from time to time, by written notice to the other parties, designate a different address, which shall be substituted for the one specified below for such party. If any notice or other document is sent by certified or registered mail, return receipt requested, postage prepaid, properly addressed as aforementioned, the same shall be deemed served or delivered seventy-two (72) hours after mailing thereof. If any notice is sent by fax or email to a party, it will be deemed to have been delivered on the date the fax or email thereof is actually received, provided the original thereof is sent by certified mail, in the manner set forth above, within twenty-four (24) hours after the fax or email is sent.

10. Amendment. Any provision of this Warrant may be amended or the observance thereof may be waived (either generally or in a particular instance and either retroactively or prospectively), only with the written consent of the Company and the Holder.

11. Governing Law. This Warrant shall be governed by and construed in accordance with the laws of the State of Oregon.

IN WITNESS WHEREOF, the Company and the Holder have executed this Warrant on the respective dates set forth below.

HOLDER

Date: _____

CYTODYN INC.

Date: _____

By: _____
Name:
Title:

FORM OF EXERCISE

**To be executed upon exercise of Warrant
(please print)**

The undersigned hereby irrevocably elects to exercise the right, represented by this Warrant Number _____ certificate, to purchase _____ shares of common stock, no par value per share ("Common Stock") of CytoDyn Inc. (the "Company") and herewith tenders payment for such shares of Common Stock to the order of the Company the amount of \$2.00 per share in accordance with the terms hereof. The undersigned requests that a certificate for such shares of Common Stock be registered in the name of _____ whose address is _____. If said number of shares of Common Stock is less than all of the shares of Common Stock purchasable hereunder, the undersigned requests that a new Warrant Certificate representing the remaining balance of the shares of Common Stock be registered in the name of _____, whose address is _____, and that such Warrant Certificate be delivered to _____, whose address is _____.

Representations of the undersigned.

- a) The undersigned acknowledges that the undersigned has received, read and understood the Warrant and agrees to abide by and be bound by its terms and conditions.
- b) (i) The undersigned has such knowledge and experience in business and financial matters that the undersigned is capable of evaluating the Company and the proposed activities thereof, and the risks and merits of this prospective investment.

[] YES [] NO

(ii) If "No", the undersigned is represented by a "purchaser representative," as that term is defined in Regulation D under the Securities Act of 1933, as amended (the "Securities Act").

[] YES [] NO

- c) (i) The undersigned is an "accredited investor," as that term is defined in the Securities Act.

[] YES [] NO

(ii) If "Yes," the undersigned comes within the following category of that definition (check one and complete the blanks as applicable):

- [] 1. The undersigned is a natural person whose present net worth (or whose joint net worth with his or her spouse), excluding the value of the undersigned's primary residence, exceeds \$1,000,000. For purposes of

calculating the undersigned's present net worth, the undersigned has included the following as liabilities: (i) any indebtedness that is secured by the undersigned's primary residence in excess of the estimated fair market value of the undersigned's primary residence at the time of the sale of the shares, and (ii) any incremental debt secured by the undersigned's primary residence that was incurred in the 60 days before the sale of the shares, other than as a result of the acquisition of the undersigned's primary residence.

- 2. The undersigned is a natural person who had individual income in excess of \$200,000 in each of the last two years or joint income with the undersigned's spouse in excess of \$300,000 during such two years, and the undersigned reasonably expects to have the same income level in the current year.
- 3. The undersigned is an officer or director of the Company.
- 4. The undersigned is a corporation or partnership not formed for the specific purpose of acquiring the securities offered, with total assets in excess of \$5,000,000.
- 5. The undersigned is a trust with total assets in excess of \$5,000,000 whose purchase is directed by a person with such knowledge and experience in financial and business matters that such person is capable of evaluating the merits and risks of the prospective investment.
- 6. The undersigned is an entity, all of whose equity owners are accredited investors under paragraphs 1, 2, 3, 4 or 5, above.

d) The undersigned understands that the shares purchased hereunder have not been registered under the Securities Act, in reliance upon the exemption from the registration requirements under the Securities Act pursuant to Section 4(2) of the Securities Act and Rule 506 promulgated thereunder; and, therefore, that the undersigned must bear the economic risk of the investment for an indefinite period of time since the securities cannot be sold, transferred or assigned to any person or entity without compliance with the provisions of the Securities Act.

Submitted by:

Accepted by CytoDyn Inc.:

By: _____
Date: _____
SS/Tax ID: _____
Telephone: _____
Email: _____

By: _____
Date: _____
Tax ID: _____

(Signature must conform in all respects to name of holder as specified on the face of the Warrant Certificate.)

EXHIBIT "B"

NOTICE OF CONVERSION

(please print)

To: CYTODYN INC.

1. In accordance with that certain Convertible Promissory Note issued by CYTODYN INC. to _____ on _____, 201 (the "Promissory Note"), the undersigned hereby elects to convert \$ _____ of the principal amount of the Promissory Note, together with any related accrued but unpaid interest, into Shares.

2. Please issue a certificate or certificates representing the Shares in the name of the undersigned or in such other name or names as are specified below:

(Name)

(Address)

3. The undersigned represents that the aforesaid Shares are being acquired for the account of the undersigned for investment and not with a view to, or for resale in connection with, the distribution thereof and that the undersigned has no present intention of distributing or reselling such Shares. In support thereof, the undersigned has executed an Investment Representation Statement attached hereto as Schedule 1.

4. All capitalized terms used but not defined herein shall have the meaning ascribed to such terms in the Promissory Note.

(Signature)

(Date)

Contact telephone: _____

Email: _____

SCHEDULE 1

INVESTMENT REPRESENTATION STATEMENT

Purchaser: _____
Company CYTODYN INC.
Security: Common Stock
Amount:
Date:

In connection with the purchase of the above-listed securities (the "Shares") pursuant to that certain Convertible Promissory Note issued by CYTODYN INC. to _____ on _____, 201 (the "Promissory Note"), the undersigned (the "Purchaser") represents to the Maker as follows:

- (a) The Purchaser is aware of the Maker's business affairs and financial condition, and has acquired information about the Maker sufficient to reach an informed and knowledgeable decision to acquire the Shares. The Purchaser is acquiring the Shares for his own account for investment purposes only and not with a view to, or for the resale in connection with, any "distribution" thereof for purposes of the Securities Act. The Purchaser is an "accredited investor" as that term is defined in Securities and Exchange Commission Rule 501(a) of Regulation D.
- (b) The Purchaser understands that the Shares have not been registered under the Securities Act in reliance upon a specific exemption therefrom, which exemption depends upon, among other things, the bona fide nature of the Purchaser's investment intent as expressed herein.
- (c) The Purchaser further understands that the Shares must be held indefinitely unless subsequently registered under the Securities Act and any applicable state securities laws, or unless exemptions from registration are otherwise available.
- (d) The Purchaser is aware of the provisions of Rule 144, promulgated under the Securities Act, which, in substance, permit limited public resale of "restricted securities" acquired by non-affiliates of the issuer thereof, directly or indirectly, from the issuer (or from an affiliate of such issuer), in a non-public offering subject to the satisfaction of certain conditions, if applicable, including, among other things, the availability of certain public information about the Maker and the resale occurring not less than six (6) months after the party has purchased and paid for the securities to be sold.
- (e) The Purchaser further understands that at the time Purchaser wishes to sell the Shares there may be no public market upon which to make such a sale, and that, even if such a public market then exists, the Maker may not have filed all reports and other materials required under Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, other than Form 8-K reports, during the preceding 12 months, and that, in such event, because the Maker used to be a "shell company" as contemplated under Rule 144(i), Rule 144 will not be available to the Purchaser.

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- (f) The Purchaser further understands that in the event all of the requirements of Rule 144 are not satisfied, registration under the Securities Act, compliance with Regulation A, or some other registration exemption will be required; and that, notwithstanding the fact that Rule 144 is not exclusive, the staff of the Securities and Exchange Commission has expressed its opinion that persons proposing to sell private placement securities other than in a registered offering and otherwise than pursuant to Rule 144 will have a substantial burden of proof in establishing that an exemption from registration is available for such offers or sales, and that such persons and their respective brokers who participate in such transactions do so at their own risk.

All capitalized terms used but not defined herein shall have the meaning ascribed to such terms in the Promissory Note.

Purchaser: _____

Date: _____

THIS CONVERTIBLE PROMISSORY NOTE AND THE SECURITIES TO BE DELIVERED IN CONNECTION HERewith AND UPON CONVERSION HEREOF HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR UNDER ANY STATE SECURITIES LAW. NO SALE, ASSIGNMENT, PLEDGE OR OTHER TRANSFER OF EITHER THIS CONVERTIBLE PROMISSORY NOTE OR ANY SUCH SECURITIES MAY BE MADE EXCEPT PURSUANT TO THE PROVISIONS OF THE ACT AND APPLICABLE STATE SECURITIES LAWS OR UNLESS AN OPINION OF COUNSEL, SATISFACTORY TO MAKER, IS OBTAINED STATING THAT SUCH SALE, ASSIGNMENT, PLEDGE OR TRANSFER IS IN COMPLIANCE WITH AN AVAILABLE EXEMPTION UNDER THE ACT AND APPLICABLE STATE SECURITIES LAWS.

THIS CONVERTIBLE PROMISSORY NOTE HAS BEEN EXECUTED AND DELIVERED OUTSIDE OF THE STATE OF FLORIDA AND NO FLORIDA DOCUMENTARY STAMP TAXES ARE DUE.

CONVERTIBLE PROMISSORY NOTE

\$1,000,000.00

October 16, 2012

FOR VALUE RECEIVED, CYTODYN INC., a Colorado corporation ("Maker"), hereby promises to pay to Jordan Naydenov ("Holder") the principal amount of One Million Dollars (\$1,000,000.00), together with interest thereon at a fixed simple interest rate of five percent (5%) per annum.

Principal outstanding under this Convertible Promissory Note (this "Promissory Note") shall be due and payable in cash in a single payment on October 15, 2015 (the "Due Date"). Interest shall be payable in cash semiannually in arrears beginning on April 15, 2013, and continuing on each of October 15, 2013, April 15, 2014, October 15, 2014, April 15, 2015, and October 15, 2015, except to the extent that this Promissory Note has been previously converted into shares of Maker's common stock (the "Shares") as set forth below.

In connection with this Promissory Note, Holder is entitled to, at no additional cost to Holder, a warrant to purchase 1,333,333 Shares (the "Warrants," and together with the Shares, collectively, the "Securities") at an exercise price of \$2.00 per Share (the "Exercise Price"), in substantially the form attached hereto as Exhibit A. The Warrants are exercisable at the option of the Holder at any time after October 16, 2012 (the "Effective Date"), but not later than two (2) years after the Effective Date.

All or any portion of principal and any related accrued but unpaid interest hereunder may be converted (each, a "Conversion") at any time by Holder into a number of Shares determined by dividing the converted principal amount and related accrued but unpaid interest by the conversion price of \$0.75 per Share, with the resulting number of Shares to be issued, rounded down to the nearest whole Share, being referred to as the "Conversion Share Number."

No Conversion hereunder shall be effective unless written notice of the Conversion is given by Holder at least five (5) days prior to such Conversion, in substantially the form attached hereto as Exhibit B. Notwithstanding the foregoing, no Conversion hereunder shall be permitted after a date that is later than 30 days prior to the Due Date.

The Maker shall not issue any fractional Shares upon Conversion by Holder of any principal and related accrued but unpaid interest hereunder or upon the exercise of the Warrants. With respect to any fraction of a Share resulting from such Conversion or exercise, the Maker shall issue to Holder a number of Shares rounded down to the nearest whole Share.

Default in the payment of the principal of or interest on this Promissory Note when the same becomes due and payable shall constitute an event of default hereunder.

Upon the occurrence of an event of default, or at any time thereafter during the continuance of any such event, the Holder may, with or without notice to the Maker, declare this Promissory Note to be forthwith due and payable, whereupon this Promissory Note and the indebtedness evidenced hereby shall forthwith be due and payable, both as to principal and interest, without presentment, demand, protest, or other notice of any kind, all of which are hereby expressly waived, anything contained herein or in any other instrument executed in connection with or securing this Note to the contrary notwithstanding. If the Due Date of this Promissory Note is accelerated as provided above, the Holder may convert the principal portion of this Promissory Note into Shares at any time prior to the payment of such principal amount.

If the Maker sells all or substantially all of its assets to a third party, merges, or consolidates with another entity, or engages in any other transaction with a third party requiring approval of the shareholders of the Maker, Maker shall give prompt notice to the Holder, and Holder may immediately convert the principal amount of this Promissory Note into Shares at any time prior to the consummation of such transaction.

If this Promissory Note or any interest hereon becomes due and payable on Saturday, Sunday or other day on which commercial banks are authorized or permitted to close under the laws of the State of Oregon, the maturity of this Promissory Note or such installment shall be extended to the next succeeding business day.

Maker may elect to prepay, on or before the Due Date, but not earlier than one (1) year following the effective date of this Promissory Note, all or any portion of the outstanding principal balance under this Promissory Note, together with accrued but unpaid interest, by wire transfer or other cash equivalent acceptable to Maker; provided, however, for any such prepayment, Maker must first give Holder at least ten (10) days prior notice of such prepayment and, during such time, Holder may elect in writing to effect a Conversion of all or a portion of such principal balance, together with any accrued but unpaid interest so desired to be prepaid by Maker, into Shares as provided herein.

If the payment of principal or any payment of interest or both is more than five (5) days late, the Maker agrees to pay the Holder a late charge equal to three percent (3%) of the payment (the "Late Fee"). The provisions of this Promissory Note establishing a Late Fee shall not be deemed to extend the time for any payment due or to constitute a "grace period" giving the Maker a right to cure such default.

This Promissory Note and the Securities to be issued in connection herewith and upon Conversion hereof may not be offered, sold or otherwise disposed of except under circumstances which will not result in a violation of the Securities Act of 1933, as amended (the "Securities Act"). Upon Conversion of this Promissory Note, the Holder hereof will be required to confirm in writing, by executing the form attached as Schedule 1 to Exhibit B hereto, that the Shares so purchased are being acquired for investment and not with a view toward distribution or resale. This Promissory Note and all Shares issued upon Conversion hereof or upon the exercise of the Warrants (unless registered under the Securities Act) shall be stamped or imprinted with a legend in substantially the following form:

"THE SHARES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 OR THE SECURITIES ACT OF ANY STATE. THE SHARES HAVE BEEN ACQUIRED FOR INVESTMENT AND MAY NOT BE SOLD, TRANSFERRED FOR VALUE, PLEDGED, HYPOTHECATED, OR OTHERWISE ENCUMBERED IN THE ABSENCE OF AN EFFECTIVE REGISTRATION OF THEM UNDER THE SECURITIES ACT OF 1933 OR THE SECURITIES ACT OF ANY STATE OR AN APPLICABLE EXEMPTION FROM REGISTRATION UNDER SUCH ACT OR ACTS."

With respect to any offer, sale or other disposition of this Promissory Note or any Securities to be issued in connection herewith or upon Conversion hereof prior to registration of such Promissory Note or Securities, the Holder hereof and each subsequent Holder of this Promissory Note will be required to give written notice to the Maker prior thereto, describing briefly the manner thereof, together with a written opinion of such Holder's counsel reasonably acceptable to the Maker's counsel, if such opinion is reasonably requested by the Maker, to the effect that such offer, sale or other disposition may be effected without registration or qualification (under the Securities Act as then in effect or any federal or state law then in effect) of this Promissory Note or such Securities and indicating whether or not under the Securities Act this Promissory Note or certificates for such Securities to be sold or otherwise disposed of require any restrictive legend as to applicable restrictions on transferability in order to ensure compliance with applicable law. Promptly upon receiving such written notice and reasonably satisfactory opinion, if so requested, the Maker, as promptly as practicable, shall notify such Holder that such Holder may sell or otherwise dispose of this Promissory Note or such Securities, all in accordance with the terms of the notice delivered to the Maker. If a determination has been made pursuant to this paragraph that the opinion of counsel for the Holder is not reasonably satisfactory to the Maker, the Maker shall so notify the Holder promptly after such determination has been made and neither this Promissory Note nor any Securities shall be sold or otherwise disposed of until such disagreement has been resolved. The foregoing notwithstanding, this Promissory Note or such Securities may as to such federal laws, be offered, sold or otherwise disposed of in accordance with Rule 144 under the Securities Act, provided that the Maker shall have been furnished with such information as the Maker may

reasonably request to provide a reasonable assurance that the provisions of Rule 144 have been satisfied. This Promissory Note and each certificate representing the Securities thus transferred (except a transfer pursuant to Rule 144) shall bear a legend as to the applicable restrictions on transferability in order to ensure compliance with such laws, unless in the aforesaid opinion of counsel for the Holder, reasonably acceptable to the Maker, such legend is not required in order to ensure compliance with such laws. The Maker may issue stop transfer instructions to its transfer agent or, if acting as its own transfer agent, the Maker may stop transfer on its corporate books, in connection with such restrictions.

Any provision of this Promissory Note that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof or affecting the validity or enforceability of such provision in any other jurisdiction.

This Promissory Note is not transferable or assignable by the Maker without the consent of the Holder. This Promissory Note is not transferable or assignable by the Holder without the consent of the Maker. If this Promissory Note is collected by law or through an attorney at law, or under advice therefrom, the Maker agrees to pay all costs of collection, including reasonable attorneys' fees. Reasonable attorneys' fees are defined to include, but not be limited to, all fees incurred in all matters of collection and enforcement, trial proceedings and appeals, as well as appearances in and connected with any bankruptcy proceedings or creditors' reorganization or similar proceedings and any post judgment collection efforts.

Any failure to exercise any right, remedy or recourse hereunder shall not be deemed to be a waiver or release of the same, such waiver or release to be effected only through a written document executed by the Holder and then only to the extent specifically recited therein. A waiver or release with reference to any one event shall not be construed as continuing, as a bar to, or as a waiver or release of any subsequent right, remedy or recourse as to a subsequent event.

In no event shall the amount of interest due or payments in the nature of interest payable hereunder exceed the maximum rate of interest allowed by applicable law, as amended from time to time, and in the event any such payment is paid by the Maker or received by the Holder, then such excess sum shall be credited as a payment of principal, unless the Maker shall notify the Holder, in writing, that the Maker elects to have such excess sum returned to the Maker forthwith.

The Maker hereby waives all and every exemption secured to it by the laws and constitution of the State of Oregon, and of any other state. The Maker hereby waives demand, presentment, protest, notice of nonpayment or dishonor, and any other notice required by law and agrees that its obligation hereunder shall not be affected by any renewal or extension of the time of payment hereof, or by any indulgences.

This Promissory Note shall be governed by and construed in accordance with the laws of the State of Oregon applicable to debts and obligations incurred and to be paid solely in such jurisdiction. This Promissory Note may not be modified or amended and no provision hereof may be waived except by a written instrument executed by the parties to be bound thereby.

CYTODYN INC.

By: /s/ Nader Pourhassan

Nader Pourhassan, Interim President & Chief
Executive Officer

EXHIBIT "A"**Warrant Number**

THE WARRANT REPRESENTED BY THIS CERTIFICATE AND THE SHARES ISSUABLE UPON EXERCISE THEREOF HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT") OR QUALIFIED UNDER ANY APPLICABLE STATE SECURITIES LAW ("APPLICABLE STATE SECURITIES LAW"). THIS WARRANT HAS BEEN ACQUIRED FOR INVESTMENT AND NOT WITH A VIEW TO, OR FOR SALE IN CONNECTION WITH, ANY DISTRIBUTION THEREOF WITHIN THE MEANING OF THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAW. THIS WARRANT AND THE SHARES ISSUABLE UPON EXERCISE THEREOF MAY NOT BE PLEDGED, SOLD, ASSIGNED OR TRANSFERRED UNLESS A REGISTRATION STATEMENT WITH RESPECT THERETO UNDER THE SECURITIES ACT IS EFFECTIVE, AND ANY APPLICABLE STATE SECURITIES LAW REQUIREMENTS HAVE BEEN MET OR EXEMPTIONS FROM THE REGISTRATION REQUIREMENTS UNDER THE SECURITIES ACT AND THE REGISTRATION OR QUALIFICATION REQUIREMENTS OF APPLICABLE STATE SECURITIES LAW ARE AVAILABLE. NO TRANSFER OF ANY INTEREST IN THIS WARRANT OR THE SECURITIES PURCHASABLE UPON EXERCISE MAY BE EFFECTED WITHOUT FIRST SURRENDERING THIS WARRANT OR SUCH SECURITIES, AS THE CASE MAY BE, TO THE COMPANY OR ITS TRANSFER AGENT, IF ANY.

Warrant to Purchase
Shares of
Common Stock
As Herein Described

October 16, 2012

**WARRANT TO PURCHASE COMMON STOCK OF
CYTODYN INC.**

This is to certify that, for value received, Jordan Naydenov, or a proper assignee (the "Holder"), is entitled to purchase up to 1,333,333 shares ("Warrant Shares") of common stock, no par value per share (the "Common Stock"), of CytoDyn Inc., a Colorado corporation (the "Company"), subject to the provisions of this Warrant Number _____, from the Company. This Warrant shall be exercisable at Two Dollars (\$2.00) per share (the "Exercise Price"). This Warrant also is subject to the following terms and conditions:

1. Exercise and Payment; Exchange.

(a) This Warrant may be exercised in whole or in part at any time from and after the date hereof (the "Commencement Date") through 5:00 p.m., Pacific time, on

October 15, 2014 (the “Expiration Date”), at which time this Warrant shall expire and become void, but if such date is a day on which federal or state chartered banking institutions located in the State of Oregon are authorized to close, then on the next succeeding day which shall not be such a day. Exercise shall be by presentation and surrender to the Company, or at the office of any transfer agent designated by the Company (the “Transfer Agent”), of (i) this Warrant, (ii) the attached exercise form properly executed, and (iii) a certified or official bank check for the Exercise Price for the number of Warrant Shares specified in the exercise form. If this Warrant is exercised in part only, the Transfer Agent shall, upon surrender of the Warrant, execute and deliver a new Warrant evidencing the rights of the Holder to purchase the remaining number of Warrant Shares purchasable hereunder. Upon receipt by the Company of this Warrant in proper form for exercise, accompanied by payment as aforesaid, the Holder shall be deemed to be the holder of record of the Common Stock issuable upon such exercise, notwithstanding that the stock transfer books of the Company shall then be closed or that certificates representing such Warrant Shares shall not then be actually delivered by the Holder.

(b) Conditions to Exercise or Exchange. The restrictions in Section 7 shall apply, to the extent applicable by their terms, to any exercise or exchange of this Warrant permitted by this Section 1.

2. Reservation of Shares. The Company shall, at all times until the expiration of this Warrant, reserve for issuance and delivery upon exercise of this Warrant the number of Warrant Shares which shall be required for issuance and delivery upon exercise of this Warrant.

3. Fractional Interests. The Company shall not issue any fractional shares or scrip representing fractional shares upon the exercise or exchange of this Warrant. With respect to any fraction of a share resulting from the exercise or exchange hereof, the Company shall pay to the Holder an amount in cash equal to such fraction multiplied by the current fair market value per share of Common Stock, determined as follows:

(a) If the Common Stock is listed on a national securities exchange or admitted to unlisted trading privileges on such an exchange, the current fair market value shall be the last reported sale price of the Common Stock on such exchange on the last business day prior to the date of exercise of this Warrant or if no such sale is made on such day, the mean of the closing bid and asked prices for such day on such exchange;

(b) If the Common Stock is not so listed or admitted to unlisted trading privileges or quoted on a national securities exchange, the current fair market value shall be the mean of the last bid and asked prices reported on the last business day prior to the date of the exercise of this Warrant by the OTC Markets Group, Inc.; or

(c) If the Common Stock is not so listed or admitted to unlisted trading privileges and bid and asked prices are not so reported, the current fair market value shall be an amount, not less than book value, determined in such reasonable manner as may be prescribed by the Company in good faith.

4. No Rights as Shareholder. This Warrant shall not entitle the Holder to any rights as a shareholder of the Company, either at law or in equity. The rights of the Holder are limited to those expressed in this Warrant and are not enforceable against the Company except to the extent set forth herein.

5. Adjustments in Number and Exercise Price of Warrant Shares.

5.1 The number of shares of Common Stock for which this Warrant may be exercised and the Exercise Price therefor shall be subject to adjustment as follows:

(a) If the Company is recapitalized through the subdivision or combination of its outstanding shares of Common Stock into a larger or smaller number of shares, the number of shares of Common Stock for which this Warrant may be exercised shall be increased or reduced, as of the record date for such recapitalization, in the same proportion as the increase or decrease in the outstanding shares of Common Stock, and the Exercise Price shall be adjusted so that the aggregate amount payable for the purchase of all of the Warrant Shares issuable hereunder immediately after the record date for such recapitalization shall equal the aggregate amount so payable immediately before such record date.

(b) If the Company declares a dividend on Common Stock payable in Common Stock or securities convertible into Common Stock, the number of shares of Common Stock for which this Warrant may be exercised shall be increased as of the record date for determining which holders of Common Stock shall be entitled to receive such dividend, in proportion to the increase in the number of outstanding shares (and shares of Common Stock issuable upon conversion of all such securities convertible into Common Stock) of Common Stock as a result of such dividend, and the Exercise Price shall be adjusted so that the aggregate amount payable for the purchase of all the Warrant Shares issuable hereunder immediately after the record date for such dividend shall equal the aggregate amount so payable immediately before such record date.

(c) If the Company distributes to holders of its Common Stock, other than as part of its dissolution or liquidation or the winding up of its affairs, any shares of its Common Stock, any evidence of indebtedness or any of its assets (other than cash, Common Stock or securities convertible into Common Stock), the Company shall give written notice to the Holder of any such distribution at least fifteen (15) days prior to the proposed record date in order to permit the Holder to exercise this Warrant on or before the record date. There shall be no adjustment in the number of shares of Common Stock for which this Warrant may be exercised, or in the Exercise Price, by virtue of any such distribution.

(d) If the Company offers rights or warrants to the holders of Common Stock which entitle them to subscribe to or purchase additional Common Stock or securities convertible into Common Stock, the Company shall give written notice of any such proposed offering to the Holder at least fifteen (15) days prior to the proposed record date in order to permit the Holder to exercise this Warrant on or before such record date. There shall be no adjustment in the number of shares of Common Stock for which this Warrant may be exercised, or in the Exercise Price, by virtue of any such distribution.

(e) If the event, as a result of which an adjustment is made under paragraph (a) or (b) above, does not occur, then any adjustments in the Exercise Price or number

of shares issuable that were made in accordance with such paragraph (a) or (b) shall be adjusted to the Exercise Price and number of shares as were in effect immediately prior to the record date for such event.

5.2 In the event of any reorganization or reclassification of the outstanding shares of Common Stock (other than a change in par value or from no par value to par value, or from par value to no par value, or as a result of a subdivision or combination) or in the event of any consolidation or merger of the Company with another entity after which the Company is not the surviving entity, at any time prior to the expiration of this Warrant, upon subsequent exercise of this Warrant the Holder shall have the right to receive the same kind and number of shares of common stock and other securities, cash or other property as would have been distributed to the Holder upon such reorganization, reclassification, consolidation or merger had the Holder exercised this Warrant immediately prior to such reorganization, reclassification, consolidation or merger, appropriately adjusted for any subsequent event described in this Section 5. The Holder shall pay upon such exercise the Exercise Price that otherwise would have been payable pursuant to the terms of this Warrant. If any such reorganization, reclassification, consolidation or merger results in a cash distribution in excess of the then applicable Exercise Price, the holder may, at the Holder's option, exercise this Warrant without making payment of the Exercise Price, and in such case the Company shall, upon distribution to the Holder, consider the Exercise Price to have been paid in full, and in making settlement to the Holder, shall deduct an amount equal to the Exercise Price from the amount payable to the Holder. In the event of any such reorganization, merger or consolidation, the corporation formed by such consolidation or merger or the corporation which shall have acquired the assets of the Company shall execute and deliver a supplement hereto to the foregoing effect, which supplement shall also provide for adjustments which shall be as nearly equivalent as may be practicable to the adjustments provided in this Warrant.

5.3 If the Company shall, at any time before the expiration of this Warrant, dissolve, liquidate or wind up its affairs, the Holder shall have the right to receive upon exercise of this Warrant, in lieu of the shares of Common Stock of the Company that the Holder otherwise would have been entitled to receive, the same kind and amount of assets as would have been issued, distributed or paid to the Holder upon any such dissolution, liquidation or winding up with respect to such Common Stock receivable upon exercise of this Warrant on the date for determining those entitled to receive any such distribution. If any such dissolution, liquidation or winding up results in any cash distribution in excess of the Exercise Price provided by this Warrant, the Holder may, at the Holder's option, exercise this Warrant without making payment of the Exercise Price and, in such case, the Company shall, upon distribution to the Holder, consider the Exercise Price to have been paid in full and, in making settlement to the Holder, shall deduct an amount equal to the Exercise Price from the amount payable to the Holder.

6. Notices to Holder. So long as this Warrant shall be outstanding (a) if the Company shall pay any dividends or make any distribution upon the Common Stock otherwise than in cash or (b) if the Company shall offer generally to the holders of Common Stock the right to subscribe to or purchase any shares of any class of Common Stock or securities convertible into Common Stock or any similar rights or (c) if there shall be any capital reorganization of the Company in which the Company is not the surviving entity,

recapitalization of the capital stock of the Company, consolidation or merger of the Company with or into another corporation, sale, lease or other transfer of all or substantially all of the property and assets of the Company, or voluntary or involuntary dissolution, liquidation or winding up of the Company, then in such event, the Company shall cause to be mailed to the Holder, at least thirty (30) days prior to the relevant date described below (or such shorter period as is reasonably possible if thirty (30) days is not reasonably possible), a notice containing a description of the proposed action and stating the date or expected date on which a record of the Company's shareholders is to be taken for the purpose of any such dividend, distribution of rights, or such reclassification, reorganization, consolidation, merger, conveyance, lease or transfer, dissolution, liquidation or winding up is to take place and the date or expected date, if any is to be fixed, as of which the holders of Common Stock of record shall be entitled to exchange their shares of Common Stock for securities or other property deliverable upon such event.

7. Transfer, Exercise, Exchange, Assignment or Loss of Warrant, Warrant Shares or Other Securities.

7.1 This Warrant may be transferred, exercised, exchanged or assigned ("transferred"), in whole or in part, subject to the following restrictions. This Warrant and the Warrant Shares or any other securities ("Other Securities") received upon exercise of this Warrant shall be subject to restrictions on transferability until registered under the Securities Act of 1933, as amended (the "Securities Act"), unless an exemption from registration is available. Until this Warrant and the Warrant Shares or Other Securities are so registered, this Warrant and any certificate for Warrant Shares or Other Securities issued or issuable upon exercise of this Warrant shall contain a legend on the face thereof, in form and substance satisfactory to counsel for the Company, stating that this Warrant the Warrant Shares or Other Securities may not be sold, transferred or otherwise disposed of unless, in the opinion of counsel satisfactory to the Company, which may be counsel to the Company, that this Warrant, the Warrant Shares or Other Securities may be transferred without such registration. This Warrant and the Warrant Shares or Other Securities may also be subject to restrictions on transferability under applicable state securities or blue sky laws. Until this Warrant and the Warrant Shares or Other Securities are registered under the Securities Act, the Holder shall reimburse the Company for its expenses, including attorneys' fees, incurred in connection with any transfer or assignment, in whole or in part, of this Warrant or any Warrant Shares or Other Securities.

7.2 Until this Warrant, the Warrant Shares or other Securities are registered under the Securities Act, the Company may require, as a condition of transfer of this Warrant, the Warrant Shares, or Other Securities, that the transferee (who may be the Holder in the case of an exercise or exchange) represent that the securities being transferred are being acquired for investment purposes and for the transferee's own account and not with a view to or for sale in connection with any distribution of the security.

7.3 Any transfer permitted hereunder shall be made by surrender of this Warrant to the Company or to the Transfer Agent at its offices with a duly executed request to transfer the Warrant, which shall provide adequate information to effect such transfer and shall be accompanied by funds sufficient to pay any transfer taxes applicable. Upon satisfaction of all transfer conditions, the Company or Transfer Agent shall, without charge, execute and deliver a new Warrant in the name of the transferee named in such transfer request, and this Warrant promptly shall be cancelled.

7.4 Upon receipt by the Company of evidence satisfactory to it of loss, theft, destruction or mutilation of this Warrant and, in the case of loss, theft or destruction, of reasonable satisfactory indemnification, or, in the case of mutilation, upon surrender of this Warrant, the Company will execute and deliver, or instruct the Transfer Agent to execute and deliver, a new Warrant of like tenor and date, any such lost, stolen or destroyed Warrant thereupon shall become void.

8. Representations and Warranties of the Holder. The Holder hereby represents and warrants to the Company with respect to the issuance of the Warrant as follows:

8.1 Experience. The Holder has substantial experience in evaluating and investing in securities in companies similar to the Company so that such Holder is capable of evaluating the merits and risks of such Holder's investment in the Company and has the capacity to protect such Holder's own interests.

8.2 Investment. The Holder is acquiring this Warrant (and the Warrant Shares issuable upon exercise of this Warrant) for investment for such Holder's own account, not as a nominee or agent, and not with the view to, or for resale in connection with, any distribution thereof. The Holder understands that this Warrant (and the Warrant Shares issuable upon exercise of the Warrant) have not been, and will not be, registered under the Securities Act by reason of a specific exemption from the registration provisions of the Securities Act which depends upon, among other things, the bona fide nature of the investment intent and the accuracy of such Holder's representations as expressed herein.

8.3 Held Indefinitely. The Holder acknowledges that this Warrant (and the Warrant Shares issuable upon exercise of this Warrant) must be held indefinitely unless subsequently registered under the Securities Act or an exemption from such registration is available.

8.4 Accredited Holder. The Holder is an "accredited investor" within the meaning of Rule 501 of Regulation D under the Securities Act.

8.5 Legends. The Holder understands and acknowledges that the certificate(s) evidencing the securities issued by the Company will be imprinted with a restrictive legend as referenced in Section 7.1 above.

8.6 Access to Data. The Holder has had an opportunity to discuss the Company's business, management, and financial affairs with the Company's management and the opportunity to review the Company's facilities and business plans. The Holder has also had an opportunity to ask questions of officers of the Company, which questions were answered to its satisfaction.

8.7 Authorization. This Warrant and the agreements contemplated hereby, when executed and delivered by the Holder, will constitute a valid and legally binding obligation of the Holder, enforceable in accordance with their respective terms.

8.8 Brokers or Finders. The Company has not incurred, and will not incur, directly or indirectly, as a result of any action taken by such Holder, any liability for brokerage or finders' fees or agents' commissions or any similar charges in connection with this Warrant or any transaction contemplated hereby.

9. Notices. All notices, requests, demands or other communications hereunder shall be in writing and shall be deemed to have been duly given, if delivered in person or mailed, certified, return-receipt requested, postage prepaid to the address set forth on the signature page below. Any party hereto may from time to time, by written notice to the other parties, designate a different address, which shall be substituted for the one specified below for such party. If any notice or other document is sent by certified or registered mail, return receipt requested, postage prepaid, properly addressed as aforementioned, the same shall be deemed served or delivered seventy-two (72) hours after mailing thereof. If any notice is sent by fax or email to a party, it will be deemed to have been delivered on the date the fax or email thereof is actually received, provided the original thereof is sent by certified mail, in the manner set forth above, within twenty-four (24) hours after the fax or email is sent.

10. Amendment. Any provision of this Warrant may be amended or the observance thereof may be waived (either generally or in a particular instance and either retroactively or prospectively), only with the written consent of the Company and the Holder.

11. Governing Law. This Warrant shall be governed by and construed in accordance with the laws of the State of Oregon.

IN WITNESS WHEREOF, the Company and the Holder have executed this Warrant on the respective dates set forth below.

HOLDER

JORDAN NAYDENOV

Date: _____

CYTODYN INC.

Date: _____

By: _____

Name: Nader Pourhassan

Title: Interim President and Chief Executive Officer

FORM OF EXERCISE

**To be executed upon exercise of Warrant
(please print)**

The undersigned hereby irrevocably elects to exercise the right, represented by this Warrant Number _____ certificate, to purchase 1,333,333 shares of common stock, no par value per share ("Common Stock") of CytoDyn Inc. (the "Company") and herewith tenders payment for such shares of Common Stock to the order of the Company the amount of \$2.00 per share in accordance with the terms hereof. The undersigned requests that a certificate for such shares of Common Stock be registered in the name of _____ whose address is _____. If said number of shares of Common Stock is less than all of the shares of Common Stock purchasable hereunder, the undersigned requests that a new Warrant Certificate representing the remaining balance of the shares of Common Stock be registered in the name of _____, whose address is _____, and that such Warrant Certificate be delivered to _____, whose address is _____.

Representations of the undersigned.

- a) The undersigned acknowledges that the undersigned has received, read and understood the Warrant and agrees to abide by and be bound by its terms and conditions.
- b) (i) The undersigned has such knowledge and experience in business and financial matters that the undersigned is capable of evaluating the Company and the proposed activities thereof, and the risks and merits of this prospective investment.

[] YES [] NO

(ii) If "No", the undersigned is represented by a "purchaser representative," as that term is defined in Regulation D under the Securities Act of 1933, as amended (the "Securities Act").

[] YES [] NO

- c) (i) The undersigned is an "accredited investor," as that term is defined in the Securities Act.

[] YES [] NO

(ii) If "Yes," the undersigned comes within the following category of that definition (check one and complete the blanks as applicable):

- [] 1. The undersigned is a natural person whose present net worth (or whose joint net worth with his or her spouse), excluding the value of the undersigned's primary residence, exceeds \$1,000,000. For purposes of

calculating the undersigned's present net worth, the undersigned has included the following as liabilities: (i) any indebtedness that is secured by the undersigned's primary residence in excess of the estimated fair market value of the undersigned's primary residence at the time of the sale of the shares, and (ii) any incremental debt secured by the undersigned's primary residence that was incurred in the 60 days before the sale of the shares, other than as a result of the acquisition of the undersigned's primary residence.

- 2. The undersigned is a natural person who had individual income in excess of \$200,000 in each of the last two years or joint income with the undersigned's spouse in excess of \$300,000 during such two years, and the undersigned reasonably expects to have the same income level in the current year.
- 3. The undersigned is an officer or director of the Company.
- 4. The undersigned is a corporation or partnership not formed for the specific purpose of acquiring the securities offered, with total assets in excess of \$5,000,000.
- 5. The undersigned is a trust with total assets in excess of \$5,000,000 whose purchase is directed by a person with such knowledge and experience in financial and business matters that such person is capable of evaluating the merits and risks of the prospective investment.
- 6. The undersigned is an entity, all of whose equity owners are accredited investors under paragraphs 1, 2, 3, 4 or 5, above.

d) The undersigned understands that the shares purchased hereunder have not been registered under the Securities Act, in reliance upon the exemption from the registration requirements under the Securities Act pursuant to Section 4(2) of the Securities Act and Rule 506 promulgated thereunder; and, therefore, that the undersigned must bear the economic risk of the investment for an indefinite period of time since the securities cannot be sold, transferred or assigned to any person or entity without compliance with the provisions of the Securities Act.

Submitted by:

Accepted by CytoDyn Inc.:

By: _____
Date: _____
SS/Tax ID: _____
Telephone: _____
Email: _____

By: _____
Date: _____
Tax ID: _____

(Signature must conform in all respects to name of holder as specified on the face of the Warrant Certificate.)

EXHIBIT "B"

NOTICE OF CONVERSION

(please print)

To: CYTODYN INC.

1. In accordance with that certain Convertible Promissory Note issued by CYTODYN INC. to Jordan Naydenov on October 16, 2012 (the "Promissory Note"), the undersigned hereby elects to convert \$ _____ of the principal amount of the Promissory Note, together with any related accrued but unpaid interest, into Shares.

2. Please issue a certificate or certificates representing the Shares in the name of the undersigned or in such other name or names as are specified below:

(Name)

(Address)

3. The undersigned represents that the aforesaid Shares are being acquired for the account of the undersigned for investment and not with a view to, or for resale in connection with, the distribution thereof and that the undersigned has no present intention of distributing or reselling such Shares. In support thereof, the undersigned has executed an Investment Representation Statement attached hereto as Schedule 1.

4. All capitalized terms used but not defined herein shall have the meaning ascribed to such terms in the Promissory Note.

(Signature)

(Date)

Contact telephone: _____

Email: _____

SCHEDULE 1**INVESTMENT REPRESENTATION STATEMENT**

Purchaser: Jordan Naydenov
Company: CYTODYN INC.
Security: Common Stock
Amount:
Date:

In connection with the purchase of the above-listed securities (the "Shares") pursuant to that certain Convertible Promissory Note issued by CYTODYN INC. to Jordan Naydenov on October 16, 2012 (the "Promissory Note"), the undersigned (the "Purchaser") represents to the Maker as follows:

- (a) The Purchaser is aware of the Maker's business affairs and financial condition, and has acquired information about the Maker sufficient to reach an informed and knowledgeable decision to acquire the Shares. The Purchaser is acquiring the Shares for his own account for investment purposes only and not with a view to, or for the resale in connection with, any "distribution" thereof for purposes of the Securities Act. The Purchaser is an "accredited investor" as that term is defined in Securities and Exchange Commission Rule 501(a) of Regulation D.
- (b) The Purchaser understands that the Shares have not been registered under the Securities Act in reliance upon a specific exemption therefrom, which exemption depends upon, among other things, the bona fide nature of the Purchaser's investment intent as expressed herein.
- (c) The Purchaser further understands that the Shares must be held indefinitely unless subsequently registered under the Securities Act and any applicable state securities laws, or unless exemptions from registration are otherwise available.
- (d) The Purchaser is aware of the provisions of Rule 144, promulgated under the Securities Act, which, in substance, permit limited public resale of "restricted securities" acquired by non-affiliates of the issuer thereof, directly or indirectly, from the issuer (or from an affiliate of such issuer), in a non-public offering subject to the satisfaction of certain conditions, if applicable, including, among other things, the availability of certain public information about the Maker and the resale occurring not less than six (6) months after the party has purchased and paid for the securities to be sold.
- (e) The Purchaser further understands that at the time Purchaser wishes to sell the Shares there may be no public market upon which to make such a sale, and that, even if such a public market then exists, the Maker may not have filed all reports and other materials required under Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, other than Form 8-K reports, during the preceding 12 months, and that, in such event, because the Maker used to be a "shell company" as contemplated under Rule 144(i), Rule 144 will not be available to the Purchaser.

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- (f) The Purchaser further understands that in the event all of the requirements of Rule 144 are not satisfied, registration under the Securities Act, compliance with Regulation A, or some other registration exemption will be required; and that, notwithstanding the fact that Rule 144 is not exclusive, the staff of the Securities and Exchange Commission has expressed its opinion that persons proposing to sell private placement securities other than in a registered offering and otherwise than pursuant to Rule 144 will have a substantial burden of proof in establishing that an exemption from registration is available for such offers or sales, and that such persons and their respective brokers who participate in such transactions do so at their own risk.

All capitalized terms used but not defined herein shall have the meaning ascribed to such terms in the Promissory Note.

Purchaser: _____

Date: _____

Certification of Chief Executive Officer

I, Nader Z. Pourhassan, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q 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 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 annual 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 quarterly 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 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: April 12, 2013

/s/ Nader Z. Pourhassan

Nader Z. Pourhassan
President and Chief Executive Officer

Certification of Chief Financial Officer

I, Michael D. Mulholland, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q 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 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 annual 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 quarterly 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 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: April 12, 2013

/s/ Michael D. Mulholland

Michael D. Mulholland
Chief Financial Officer

Certification of 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 for the fiscal quarter ended February 28, 2013, as filed with the Securities and Exchange Commission on the date hereof (the "Form 10-Q"), I, Nader Z. Pourhassan, 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 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 fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 12, 2013

/s/ Nader Z. Pourhassan

Nader Z. Pourhassan
President and Chief Executive Officer

Certification of 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 for the fiscal quarter ended February 28, 2013, as filed with the Securities and Exchange Commission on the date hereof (the "Form 10-Q"), I, Michael D. Mulholland, 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 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 fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 12, 2013

/s/ Michael D. Mulholland

Michael D. Mulholland
Chief Financial Officer