

BuyersStrike!

It Was Dark Over Westphalia

Quick Take – Who is Funding Cytodyn Yet Again? (CYDY)

Late yesterday, the 29th of July, everyone's favorite reverse-merger pink sheet Coronacraper, **Cytodyn (CYDY)**, issued a press release ([here \(https://www.cytodyn.com/investors/news-events/press-releases/detail/455/cytodyn-completes-non-dilutive-28-5-million-convertible\)](https://www.cytodyn.com/investors/news-events/press-releases/detail/455/cytodyn-completes-non-dilutive-28-5-million-convertible)) eerily reminiscent of one from the end of March ([here \(https://www.cytodyn.com/newsroom/press-releases/detail/403/cytodyn-completes-non-dilutive-15-million-convertible-note\)](https://www.cytodyn.com/newsroom/press-releases/detail/403/cytodyn-completes-non-dilutive-15-million-convertible-note)).

Here is the one from yesterday:

CytoDyn Completes Non-dilutive \$28.5 Million Convertible Note Financing with Conversion Rate at \$10.00 Per Share without Warrants

July 29, 2020 6:56pm EDT

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VANCOUVER, Washington, July 29, 2020 (GLOBE NEWSWIRE) – **CytoDyn Inc. (OTC.QB: CYDY)**, (“CytoDyn” or the “Company”), a late-stage biotechnology company developing leronlimab (PRO 140), a CCR5 antagonist with the potential for multiple therapeutic indications, announced today it completed a new non-dilutive convertible debt offering with an institutional investor, which provides \$25 million of immediately available capital. The note, has a two-year maturity, bears interest at the rate of 10% per annum and is secured by all assets of the Company, excluding its intellectual property. The note may be converted at the option of the investor into shares of the Company's common stock at a conversion price of \$10.00 per share.

Sounds pretty good right? Especially with the shares trading

under \$5.00. But this is **Cytodyn**, so nothing is as it seems. Instead this press release, like the March press release before it, appears to be quite misleading as to the amount raised, the effective interest rate, the true dilutive nature of the financing, and the true effective conversion price. We won't know for sure, of course, until the company issues an 8k with the actual details.

We can use what happened in March as our guide. Remember this press release?

CytoDyn Completes Non-dilutive \$15 Million Convertible Note Financing with Conversion Rate at \$4.50 Per Share without Warrants

March 31, 2020 6:15am EDT

[Download as PDF](#)

VANCOUVER, Washington, March 31, 2020 (GLOBE NEWSWIRE) – **CytoDyn Inc. (OTC.QB: CYDY)**, (“CytoDyn” or the “Company”), a late-stage biotechnology company developing leronlimab (PRO 140), a CCR5 antagonist with the potential for multiple therapeutic indications, announced today that it completed a new non-dilutive convertible debt offering with an institutional investor, which provides \$15 million of immediately available capital. The note, has a two-year maturity, bears interest at the rate of 10% per annum and is secured by all assets of the Company, excluding its intellectual property. During the first six months following the issue date, the investor may convert principal into common stock up to 1 million shares per month after which all or any part of the outstanding balance of the note is convertible into common stock.

Talk about deja vu. This press release was also woefully short on real details. For that, we needed to wait for the 8k, filed on the 6th of April ([here \(https://www.cytodyn.com/investors/sec-filings/all-sec-filings/content/0001193125-20-099591/d914246d8k.htm?TB_iframe=true&height=auto&width=auto&preload=false\)](https://www.cytodyn.com/investors/sec-filings/all-sec-filings/content/0001193125-20-099591/d914246d8k.htm?TB_iframe=true&height=auto&width=auto&preload=false)).

FOR VALUE RECEIVED, Cytodex Inc., a Delaware corporation ("Borrower"), promises to pay to Iliad Research and Trading, L.P., a Utah limited partnership, or its successors or assigns ("Lender"), \$17,100,000.00 and any interest, fees, charges, and late fees on the date that is twenty-four (24) months after the Purchase Price Date (the "Maturity Date") in accordance with the terms set forth herein and to pay interest on the Outstanding Balance at the rate of ten percent (10%) per annum from the Purchase Price Date until the same is paid in full. This Secured Convertible Promissory Note (this "Note") is issued and made effective as of March 31, 2020 (the "Effective Date"). This Note is issued pursuant to that certain Securities Purchase Agreement dated March 31, 2020, as the same may be amended from time to time, by and between Borrower and Lender (the "Purchase Agreement"). All interest calculations hereunder shall be computed on the basis of a 360-day year comprised of twelve (12) thirty (30) day months, shall compound daily and shall be payable in accordance with the terms of this Note. Certain capitalized terms used herein are defined in Attachment 1 attached hereto and incorporated herein by this reference.

This Note carries an OID of \$2,100,000.00. The purchase price for this Note shall be \$15,000,000.00 (the "Purchase Price"), computed as follows: \$17,100,000.00 original principal balance, less the OID. The Purchase Price shall be payable by Lender to Borrower by wire transfer of immediately available funds.

The first thing that should call out to any reader is that the press release doesn't name the investor, but in the 8k it is revealed to be **Iliad Research & Trading**. This is one of many **John M. Fife** entities (Iliad, St. George, Chicago Venture Partners, among others). Who is he? A one-time variable annuity trader (see [here \(https://www.sec.gov/litigation/litreleases/2007/lr19972.htm\)](https://www.sec.gov/litigation/litreleases/2007/lr19972.htm)) who moved into toxic financing of shady penny stocks.

The next red flag is that although the press release claimed it was a **\$15mm** note convertible at \$4.50, but the 8k reveals it was a **\$17.1mm** note, bearing interest at 10%, but for which the company only received **\$15mm**, a discount of **12.25%**. This means that Fife invested **\$15mm** but will receive at maturity the face value (**\$17.1mm**) in addition to annual **10%** interest on the face value. The effective interest rate is actually **11.4%**.

Continuing onwards:

The investor may convert all or any part of the outstanding balance of the Note into shares of Common Stock at an initial conversion price of \$4.50 per share upon five trading days' notice, subject to certain adjustments and volume and ownership limitations specified in the Note. In addition to standard anti-dilution adjustments, the conversion price of the Note is subject to full ratchet anti-dilution protection pursuant to which the conversion price will be automatically reduced to equal the effective price per share in any new offering by the Company of equity securities that have registration rights, are registered or become registered under the Securities Act of 1933, as amended. The Note provides for liquidated damages upon failure to deliver Common Stock within specified timeframes.

The note is convertible into **3.8mm** shares at **\$4.50** per share. But as Iliad only paid **\$15mm** for the note, the effective conversion price is actually $\$15/3.8 = \3.94 per share.

Finally, for all the claims about this being a non-dilutive financing, the 8k is clear that in addition to "standard anti-dilution" the note also features a "full-ratchet." A full-ratchet means that if the company raises money in the future at a lower price than given to Iliad, the conversion price is reset to the new, lower, amount. We suppose one could argue that **Cytodyn** isn't lying, that the deal is certainly non-dilutive, but only to **Iliad**!

One can see that the headline on the July press release changed a bit, they now reveal up front that the **face value of the note is \$28.5mm** but the company **only received \$25mm**. The discount is the same as the March deal, **12.25%**. This means the effective interest rate is also the same as the March deal, at **11.4%** and the **effective conversion price** will not really be **\$10** per share, but actually **\$8.77** per share. '

As for what we don't know, and likely will not know, until the 8k is finally filed, here are our **BuyersStrike! HQ** predictions for the truth about this new **CYDY** deal:

The investor will be **Iliad**, or another **Fife** entity.

The "non-dilutive" deal will, in fact, be **highly dilutive**, just like the March deal.

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Posted in [Bio-Dreck](#), [CoronaCrap](#), [Reverse Mergers](#) on [July 30, 2020](#) by [BuyersStrike!](#) [6 Comments](#)

6 comments

1. **john q shareholder** says:

[July 30, 2020 at 1:57 pm](#)

wow, still not signing your name to your work. you must be very proud of it!

[Wow, still making glaring errors of reasoning, you must be an idiot – **Editor**]

[REPLY](#)

2. **Curious Situation** says:

[August 5, 2020 at 3:51 pm](#)

Capital Structure on this thing quite interesting. Share count is exploding. Co had circa 25mm shs YE12 (the year they paid \$3.5mm for Pro 140). Since then add'l offerings on Bloomberg for circa 64mm shs and they paid 27mm shs for Prostagene in Nov '18. 25+64+27 is 116mm vs today's count of 520mm. Most of this 396mm shs difference is direct purchases to undisclosed investors (unless I missed them in the filings) in direct offerings and warrant exercises and dilution for incentive comp. Who are they? On Bloomberg the holders list only accounts for 70mm of these 520mm shs outstanding. Where are the other 450mm shares held? Retail isn't likely large enough to take that much stock home every night. Also what is the end game here? At some point in a fraud it needs to get monetized for the orchestrators to win.

One indication that this 450mm shs might be tightly held is that SI is 9mm shares or less than 2% of outstanding and yet borrow is tight as seeing double digit locate rates in the name.

REPLY

1. BuyersStrike! says:

August 5, 2020 at 3:57 pm

Our guess? A variant of the old Reg S scam. Likely lots of foreign retail (Hello Germany) dummies.

REPLY

3. hygrogroup says:

August 9, 2020 at 10:11 pm

Perhaps the spinmeister NP's paid article helps explain it all (at least his spin):

"Cytodyn's (CYDY) 100% Above Market Offering Stuns the Street" By admin -July 30, 2020
in one of his favorite company sponsored web locations -- emerginggrowth.com Here's the link.
<https://emerginggrowth.com/cytodyns-cydy-100-above-market-offering-stuns-street/>

It is the usual "let's fight the short's" yarn with the usual non-disclosure and anonymous author (admin!!). Surprised the SEC hasn't descended on NP as he is getting increasingly aggressive with his short wars.

REPLY

4. Pingback: Very Quick Take: Guess Who Won't Be Funding Cytodyn Again? CYDY | BuyersStrike!

5. Pingback: Sunday Funday – What Else Doesn't Cytodyn Want Investors To Learn? (CYDY) | BuyersStrike!

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