

# BuyersStrike!

## It Was Dark Over Westphalia

### What Did Cytodyne Bury In the Mid-December S3 Filing? (CYDY)

Hidden in the recent S-3 (<https://www.sec.gov/Archives/edgar/data/1175680/000119312520321698/d42639ds3.htm>) that everyone's favorite reverse-merger pink sheet Coronacrapper, Cytodyn (CYDY), filed after the close on the 17th of December was an interesting paragraph providing more details on a transaction the company did back in March of this year. One may remember it from way back when the shares really started to catch the eye of bored, stuck-at-home, retail investors in the USA, and, somewhat inexplicably, Germany. The [press release announcing the deal](https://www.cytodyn.com/investors/news-events/press-releases/detail/403/cytodyn-completes-non-dilutive-15-million-convertible-note) (<https://www.cytodyn.com/investors/news-events/press-releases/detail/403/cytodyn-completes-non-dilutive-15-million-convertible-note>) appears misleading at best, knowingly false at worst, and designed to sucker retail no matter what, especially given the conversion price was stated to be far higher than the market price at the time.

## 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

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VANCOUVER, Washington, March 31, 2020 (GLOBE NEWSWIRE) -- **CytoDyn Inc. (OTC:QB:CYDY)**, ("CytoDyn" or the "Company"), a late-stage biotechnology company developing Ieronlimab (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 <https://buyersstrike.files.wordpress.com/2020/12/marchfifepr.jpg>.

The deluded investors buying the shares would guess, given the scant details in the press release, that the note would be convertible into 3.333mm shares (\$15mm/\$4.50). The only true statements appear to be that Cytodyn completed a financing, someone invested, and there were no warrants attached. Everything else turned out to be untrue. All the details can be gleaned from this paragraph from the recent S-3:

On March 31, 2020, the Company entered into a securities purchase agreement, pursuant to which the Company issued a secured convertible promissory note with a two-year maturity to the selling stockholder in the initial principal amount of \$17.1 million. The Company received consideration of \$15.0 million, reflecting an original issue discount of \$2.1 million (the "March 2020 Note"). The March 2020 Note is secured by all of the assets of the Company, excluding the Company's intellectual property. Interest accrues on the outstanding balance of the March 2020 Note at 10% per annum. Upon the occurrence of an event of default, interest accrues at the lesser of 22% per annum or the maximum rate permitted by applicable law. In addition, upon any event of default, the selling stockholder may accelerate the outstanding balance payable under the March 2020 Note, which will increase automatically upon such acceleration by 15%, 10% or 5%, depending on the nature of the event of default. The selling stockholder may convert all or any part the outstanding balance of the March 2020 Note into shares of our 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 March 2020 Note. On April 3, 2020, the Company amended the March 2020 Note limiting monthly issuances of Common Stock resulting from conversions to 1,000,000 shares in any calendar month during the first six months ("April 3, 2020 Conversion Limitation Amendment"). In addition to standard anti-dilution adjustments, the conversion price of the March 2020 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 March 2020 Note provides for liquidated damages upon failure to deliver Common Stock within specified timeframes. The selling stockholder may redeem any portion of the March 2020 Note, at any time after six months from the issue date, upon three trading days' notice, subject to a maximum monthly redemption amount of \$950,000. The March 2020 Note requires the Company to satisfy its redemption obligations in cash within three trading days of our receipt of such notice. We may prepay the outstanding balance of the March 2020 Note, in part or in full, at a 15% premium to par value, at any time upon fifteen trading days' notice. The selling stockholder may sell conversion shares pursuant to a registration statement prior to the date that is six (6) months from the issue date; the March 2020 Note included a volume limitation on sales of conversion shares to 1,000,000 shares per calendar month, but this limitation was eliminated in July 2020 by amendment to the March 2020 Note. The Company filed an Amendment No. 1 to Registration Statement on Form S-3 (Registration No. 333-236198) with the SEC on April 30, 2020 registering a number of shares of Common Stock sufficient to convert the entire outstanding balance of the March 2020 Note plus 2,500,000 shares of common stock issued in connection with the exercise of warrants, which S-3 was declared effective on May 11, 2020. Between June 26, 2020 and November 24, 2020, we received conversion and redemption notices from the selling stockholder, and applied the November 2020 Debt Reduction Amount to this note resulting in the note being fully satisfied. The Debt Reduction Amount was separately and independently restructured to be settled in shares of common stock. In satisfaction of the conversions, redemption, and Debt Reduction Amount, we paid \$950,000 cash and issued shares of common stock totaling 6,412,444 to the selling stockholder, resulting in the note being fully satisfied and there is no outstanding balance.

<https://buyersstrike.files.wordpress.com/2020/12/marchfifenote.jpg>

The actual amount of the note was \$17.1mm, not \$15mm. The company received \$15mm, but owe the investor \$17.1mm.

The unnamed “institutional investor” was actually a financier named [John M. Fife](https://buyersstrike.wordpress.com/2020/09/03/very-quick-take-guess-who-wont-be-funding-cytodyn-again-cydy/) (<https://buyersstrike.wordpress.com/2020/09/03/very-quick-take-guess-who-wont-be-funding-cytodyn-again-cydy/>).

And to pay the supposed “15mm non-dilutive no warrants” note off, the company paid \$950,000 in cash, and issued 6,412,444 shares. Shares which at today’s pumped up share price is worth at least \$33mm and seems far from non-dilutive.

Based on the press release, an investor buying the stock would have believed that the note was convertible into only 3.33mm shares (\$15mm/\$4.50 stated strike). Instead the true effective conversion number was 3.8mm shares (\$17.1mm face/\$4.50), which makes the effective conversion price at time of issuance \$3.95 per share (\$15mm paid for the note/3.8mm true conversion amount).

The true effective conversion price, based on last Friday’s revelation, is actually \$2.19 (\$15.0mm paid for note – \$0.95mm cash payment)/6.412mm shares issued)

So what exactly happened between issuance with hype filled press releases in March and payoff, revealed in a little paragraph snuck into an S-3 filing, last Friday? Simple: Investors just got a taste of the FULL RATCHET.

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