UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

☑ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended February 28, 2010

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission File Number: **000-28385**

Protalex, Inc.
(Exact Name of Registrant as Specified in its Charter)

Delaware	**91-2003490**
(State or Other Jurisdiction of Incorporation or Organization)	**(I.R.S. Employer Identification Number)**

133 Summit Avenue, Suite 22
Summit, NJ 07901
(Address of Principal Executive Offices and Zip Code)

215-862-9720
(Registrant's Telephone Number, Including Area Code)

145 Union Square Drive
New Hope, PA 18938
(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 (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that he 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 definition 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

Number of shares outstanding of the issuer's Common Stock, par value $0.00001 per share, as of **April 7, 2010**: 72,078,724 shares.

PROTALEX, INC.

Quarterly Report on Form 10-Q
For the Period Ended February 28, 2010

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FORWARD-LOOKING STATEMENTS

Certain statements made in this Quarterly Report on Form 10-Q are "forward-looking statements" regarding the plans and objectives of management for future operations and market trends and expectations. Such statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The forward-looking statements included herein are based on current expectations that involve numerous risks and uncertainties. Our plans and objectives are based, in part, on assumptions involving the continued expansion of our business. Assumptions relating to the foregoing involve judgments with respect to, among other things, future economic, competitive and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond our control. Although we believe that our assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this Report will prove to be accurate. In light of the significant uncertainties inherent in the forward-looking statements included herein, the inclusion of such information should not be regarded as a representation by us or any other person that our objectives and plans will be achieved. We undertake no obligation to revise or update publicly any forward-looking statements for any reason. The terms "we", "our", "us", or any derivative thereof, as used herein refer to Protalex, Inc., a Delaware corporation, and its predecessors.

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

PROTALEX, INC.
(A Development Stage Company)
BALANCE SHEETS

	February 28, 2010 (Unaudited)	May 31, 2009
CURRENT ASSETS:		
Cash and cash equivalents	$ 3,119,925	$ 2,637,292
Prepaid expenses	69,456	193,757
Total current assets	3,189,381	2,831,049
PROPERTY & EQUIPMENT:		
Property & equipment - net	-	25,162
OTHER ASSETS:		
Deposits	7,990	7,990
Intellectual technology property, net of accumulated amortization of $10,008 and $9,753 as of February 28, 2010 and May 31, 2009, respectively	10,292	10,547
Total other assets	18,282	18,537
Total Assets	$ 3,207,663	$ 2,874,748
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 182,864	$ 398,734
Payroll and related liabilities	281,361	1,185,638
Accrued expenses	92,456	8,057
Deferred rent	743	1,192
Total current liabilities	557,424	1,593,621
LONG TERM LIABILITIES:		
Senior Secured Convertible Note – net of debt discount - related party	540,085	-
Total liabilities	1,097,509	1,593,621
STOCKHOLDERS' EQUITY		
Common stock, par value $0.00001, 100,000,000 shares authorized; 72,078,724 and 28,600,464 shares issued and outstanding, respectively	721	286
Additional paid in capital	48,666,166	45,865,352
Deficit accumulated during the development stage	(46,556,733)	(44,584,511)
Total stockholders' equity	2,110,154	1,281,127
Total liabilities and stockholders' equity	$ 3,207,663	$ 2,874,748

The accompanying notes are an integral part of these financial statements.

PROTALEX, INC.

(A Development Stage Company)

STATEMENTS OF OPERATIONS

For the three and nine month periods ended February 28, 2010 and 2009 and
From Inception (September 17, 1999) through February 28, 2010
(Unaudited)

	Three Months Ended February 28, 2010	Three Months Ended February 28, 2009	Nine Months Ended February 28, 2010	Nine Months Ended February 28, 2009	From Inception Through February 28, 2010
Revenues	$ -	$ -	$ -	$ -	$ -
Operating Expenses					
Research and development (including depreciation and amortization)	329,487	1,002,553	671,674	2,866,890	28,425,458
Administrative (including depreciation and amortization)	324,722	569,142	698,476	1,800,483	16,313,108
(Gain) on disposal of equipment, net	(9,625)	-	(3,233)	(78,174)	(77,219)
Professional fees	77,658	32,780	530,933	296,073	3,776,067
Depreciation and amortization	-	1,019	15,070	3,127	178,886
Operating loss	(722,242)	(1,605,494)	(1,912,920)	(4,888,399)	(48,616,300)
Other income (expense)					
Interest income	3,786	1,566	2,522	57,126	2,198,399
Interest expense	(50,978)	-	(61,824)	-	(132,435)
Loss on sale of investments	-	-	-	-	(6,394)
Net loss	$ (769,434)	$ (1,603,928)	$ (1,972,222)	$ (4,831,273)	$ (46,556,730)
Weighted average number of common shares outstanding	**55,076,052**	**28,600,464**	**46,088,030**	**28,600,464**	**20,363,183**
Loss per common share – basic and diluted	$ (0.02)	$ (0.06)	$ (0.05)	$ (0.17)	$ (2.29)

The accompanying notes are an integral part of these financial statements.

PROTALEX, INC.

(A Development Stage Company)

STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

From Inception (September 17, 1999) through February 28, 2010
(Unaudited)

	Common Stock Shares	Common Stock Amount	Additional Paid in Capital	Common Stock-Contra	Deficit Accumulated During The Development Stage	Total
September 17, 1999 — initial issuance of 10,000 shares for intellectual technology license at $.03 per share	10,000	$ 300	$ —	$ —	$ —	$ 300
September 30, 1999 — cost of public shell acquisition over net assets acquired to be accounted for as a Recapitalization	—	—	—	(250,000)	—	(250,000)
October 27, 1999 — issuance of 84 shares to individual for $25,000	84	25,000	—	—	—	25,000
November 15, 1999 — reverse merger transaction with Enerdyne Corporation, net transaction amounts	8,972,463	118,547	—	(118,547)	—	—
November 18, 1999 — February 7, 2000 — issuance of 459,444 shares to various investors at $0.36 per share	459,444	165,400	—	—	—	165,400
January 1, 2000 — issuance of 100,000 shares in exchange for legal services	100,000	15,000	—	—	—	15,000
May 1 - 27, 2000 — issuance of 640,000 shares to various investors at $1.00 per share	640,000	640,000	—	—	—	640,000
May 27, 2000 — issuance of 1,644 shares to an individual in exchange for interest Due	1,644	1,644	—	—	—	1,644
Net loss for the year ended May 31, 2000	—	—	—	—	(250,689)	(250,689)
Balance, May 31, 2000	10,183,635	965,891	—	(368,547)	(250,689)	346,655
December 7, 2000 — issuance of 425,000 shares to various investors at $1.00 per share	425,000	425,000	—	—	—	425,000
May 31, 2001 — Forgiveness of debt owed to shareholder	—	—	40,000	—	—	40,000
Net loss for the year ended May 31, 2001	—	—	—	—	(553,866)	(553,866)
Balance, May 31, 2001	10,608,635	1,390,891	40,000	(368,547)	(804,555)	257,789

The accompanying notes are an integral part of this financial statement.

PROTALEX, INC.
(A Development Stage Company)

STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY - (continued)

From Inception (September 17, 1999) through February 28, 2010
(Unaudited)

	Common Stock Shares	Common Stock Amount	Additional Paid in Capital	Common Stock-Contra	Deficit Accumulated During The Development Stage	Total
August 13, 2001 — Contribution by Shareholders	—	—	143,569	—	—	$ 143,569
November 7, 2001 — issuance of 881,600 Shares at $1.25 per share	881,600	$ 1,102,000	$ —	—	$ —	$ 1,102,000
November 26, 2001 — options issued to board member	—	—	133,000	—	—	133,000
Net loss for the year ended May 31, 2002	—	—	—	—	(1,280,465)	(1,280,465)
Balance, May 31, 2002	11,490,235	2,492,891	316,569	(368,547)	(2,085,020)	355,893
July 5, 2002 — issuance of 842,000 shares at $1.50 per share	842,000	1,263,000	—	—	—	1,263,000
July 1, 2002 - May 1, 2003 – purchase of common stock from shareholder at $.70 per share	(130,955)	(91,667)	—	—	—	(91,667)
January 15, 2003 - May 15, 2003 — common stock issued to Company president	41,670	82,841	—	—	—	82,841
May 14, 2003 — common stock issued to employee	5,000	11,250	—	—	—	11,250
June 1, 2002 - May 31, 2003 – compensation related to stock options issued to board members, employees and consultants	—	—	287,343	—	—	287,343
Net loss for the year ended May 31, 2003	—	—	—	—	(1,665,090)	(1,665,090)
Balance, May 31, 2003	12,247,950	3,758,315	603,912	(368,547)	(3,750,110)	243,570
June 15, 2003, common stock issued to Company president	8,334	16,418	—	—	—	16,418
June 15, 2003, purchase of common stock from shareholder	(12,093)	(8,333)	—	—	—	(8,333)
September 18, 2003 – issuance of 7,445,646 of common stock issued in private placement At $1.70 per share, net of transaction costs	7,445,646	11,356,063	—	—	—	11,356,063
September 19, 2003 – repurchase and retired 2,994,803 shares for $300,000	(2,994,803)	(300,000)	—	—	—	(300,000)
December 12, 2003 – issuance of 39,399 shares to terminated employees at $2.60 per share	39,399	102,438	—	—	—	102,438
March 1, 2004 – common stock issued to employee at $2.55 per share	50,000	127,500	—	—	—	127,500
May 31, 2004 – reclassify common stock contra to common stock	—	(368,547)	—	368,547	—	—

The accompanying notes are an integral part of this financial statement.

PROTALEX, INC.

(A Development Stage Company)

STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY - (continued)

From Inception (September 17, 1999) through February 28, 2010
(Unaudited)

	Common Stock Shares	Common Stock Amount	Additional Paid in Capital	Common Stock- Contra	Deficit Accumulated During The Development Stage	Total
June 1, 2003 – May 31, 2004 – compensation related to stock options issued to board members, employees and consultants	—	—	448,096	—	—	448,096
Net loss for the year ended May 31, 2004	—	—	—	—	(2,989,364)	(2,989,364)
Balance, May 31, 2004	16,784,433	14,683,854	1,052,008	—	(6,739,474)	8,996,388
November 30, 2004 – adjust March 1, 2004 common stock issued to employee	—	(20,000)		—	—	(20,000)
January 13, 2005 – common stock issued to employee at $2.55 per share	15,000	38,250	—	—	—	38,250
February 28, 2005 – Reclass Par Value for Reincorporation into DE as of 12/1/04	—	(14,701,935)	14,701,935	—	—	0
May 25, 2005 - issuance of 2,593,788 shares of common stock issued in private placement At $1.95 per share, net of transaction costs	2,593,788	25	4,851,168	—	—	4,851,193
June 1, 2004 – May 31, 2005 – compensation related to stock options issued to board members, employees and consultants	—	—	308,711	—	—	308,711
Net loss for the year ended May 31, 2005	—	—	—	—	(5,567,729)	(5,567,729)
Balance, May 31, 2005	19,393,221	194	20,913,822	—	(12,307,203)	8,606,813
August 23, 2005 – common stock issued to employee	40,000	0	100,000	—	—	100,000
October 19, 2005 – common stock issued to employee	10,000	0	25,000	—	—	25,000
December 30, 2005 – issuance of 2,595,132 shares of common stock issued in private placement at $2.25 per share, net of transaction costs	2,595,132	26	5,510,941	—	—	5,510,967
June 1, 2005 – May 31, 2006 – warrants exercised	351,598	4	786,534	—	—	786,538
June 1, 2005– May 31, 2006 – compensation related to stock options issued to board members, employees and consultants	—	—	404,679	—	—	404,679
Net loss for the year ended May 31, 2006	—	—	—	—	(6,104,402)	(6,104,402)
Balance, May 31, 2006	22,389,951	224	27,740,976	—	(18,411,605)	9,329,595

The accompanying notes are an integral part of this financial statement.

PROTALEX, INC.
(A Development Stage Company)

STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY - (continued)

From Inception (September 17, 1999) through February 28, 2010
(Unaudited)

	Common Shares	Stock Amount	Additional Paid in Capital	Common Stock-Contra	Deficit Accumulated During The Development Stage	Total
July 7, 2006 – issuance of 6,071,013 shares of common stock issued in private placement at $2.50 per share, net of transaction costs	6,071,013	61	14,217,660	—	—	14,217,721
June 1, 2006 – May 31, 2007 – warrants exercised	133,500	1	300,373	—	—	300,374
June 1, 2006 – May 31, 2007 – stock options exercised	6,000	0	15,200	—	—	15,200
June 1, 2006 – May 31, 2007 – share based compensation to board members, employees and consultants	—	—	1,826,850	—	—	1,826,850
Net loss for the year ended May 31, 2007	—	—	—	—	(8,451,942)	(8,451,942)
Balance, May 31, 2007	28,600,464	286	44,101,059	—	(26,863,547)	17,237,798
June 1, 2007 – May 31, 2008 – share based compensation to board members, employees and consultants	—	—	1,011,025	—	—	1,011,025
Net loss for the year ended May 31, 2008	—	—	—	—	(10,490,758)	(10,490,758)
Balance, May 31, 2008	28,600,464	286	45,112,084	—	(37,354,305)	7,758,065

June 1, 2008 – May 31, 2009 – shared-based compensation to board members, employees and consultants	—	—	753,268	—	—	753,268
Net loss for the year ended May 31, 2009	—	—	—	—	(7,230,206)	(7,230,206)
Balance, May 31, 2009	28,600,464	286	45,865,352	—	(44,584,511)	1,281,127
June 1, 2009 – February 28, 2010 – shared-based expense to employees and debt holders	—	—	279,510	—	—	279,510
November 11, 2009 – record beneficial conversion value attached to senior secured convertible debt	—	—	521,739	—	—	521,739
November 11, 2009 – issuance of 43,478,260 shares of common stock at $.046	43,478,260	435	1,999,565	—	—	2,000,000
Net loss for the nine months ended February 28, 2010	—	—	—	—	(1,972,222)	(1,972,222)
Balance, February 28, 2010	72,078,724	$ 721	$48,666,166	$ —	$ (46,556,733)	$ 2,110,154

The accompanying notes are an integral part of this financial statement.

PROTALEX, INC.

(A Development Stage Company)

STATEMENTS OF CASH FLOWS

For the nine month periods ended February 28, 2010 and 2009 and
From Inception (September 17, 1999) through February 28, 2010
(Unaudited)

	Nine Months Ended February 28, 2010	Nine Months Ended February 28, 2009	From Inception Through February 28, 2010
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net loss	$ (1,972,222)	$ (4,831,273)	$ (46,556,730)
Adjustments to reconcile net loss to net cash and cash equivalents used in operating activities			
(Gain) on disposal of equipment, net	—	(78,174)	(67,594)
Depreciation and amortization	15,070	45,621	919,772
Share based compensation expense	288,689	468,785	5,945,354
Non cash expenses	47,145	—	63,789
(Increase)/decrease in:			
Prepaid expenses and deposits	124,301	238,148	(77,446)
Increase/(decrease) in:			
Accounts payable and accrued expenses	(131,473)	(686,662)	275,318
Payroll and related liabilities	(904,277)	(13,001)	281,361
Other liabilities	—	183	1,192
Net cash and cash equivalents used in operating activities	(2,532,767)	(4,856,373)	(39,214,984)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Acquisition of intellectual technology license – fee portion	—	—	(20,000)
Acquisition of equipment	—	—	(905,936)
Excess of amounts paid for public shell over assets acquired to be accounted for as a recapitalization	—	—	(250,000)
Proceeds from disposal of equipment	15,400	200,000	221,400
Net cash and cash equivalents provided by (used in) investing activities	15,400	200,000	(954,536)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from stock issuance, including options and warrants exercised	2,000,000	—	42,658,458
Principal payment on equipment notes payable and capital leases	—	—	(295,411)
Contribution by shareholders	—	—	183,569
Principal payment on note payable to individuals	—	—	(225,717)
Issuance of note payable to individuals	1,000,000	—	1,368,546
Acquisition of common stock	—	—	(400,000)
Net cash and cash equivalents provided by financing activities	3,000,000	—	43,289,445
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	482,633	(4,656,373)	3,119,925
Cash and cash equivalents, beginning	2,637,292	8,442,809	—
Cash and cash equivalents, ending	$ 3,119,925	$ 3,786,436	$ 3,119,925
SUPPLEMENTAL SCHEDULE OF CASH FLOW INFORMATION:			
Interest paid	$ —	$ —	$ 66,770
Taxes paid	$ —	$ —	$ 100

The accompanying notes are an integral part of these financial statements.

PROTALEX, INC.

(A Company in the Development Stage)

NOTES TO UNAUDITED FINANCIAL STATEMENTS

From Inception (September 17, 1999) through February 28, 2010

NOTE 1. ORGANIZATION AND BUSINESS ACTIVITIES

Protalex, Inc., a Delaware corporation ("we," "us," our," or "Company") is a development stage company engaged in developing a class of biopharmaceutical drugs for treating autoimmune and inflammatory diseases. We were incorporated on September 17, 1999 in New Mexico and reincorporated in the State of Delaware on December 1, 2004. We were formed to develop and bring to commercial realization certain bioregulatory technology for the treatment of human diseases. Our lead product, PRTX-100, has demonstrated effectiveness in pre-clinical studies in regulating the immune system with persisting effects. However, the effectiveness of PRTX-100 shown in pre-clinical studies using animal models may not be predictive of the results that we will see in our clinical trials. We currently have no product on the market and we have no operating revenue. We are initially targeting the autoimmune diseases rheumatoid arthritis, or RA and idiopathic thrombocytopenic purpura, or ITP.

NOTE 2. CHANGE OF OWNERSHIP TRANSACTION

On November 11, 2009 (the "Effective Date"), we consummated a financing transaction in which we raised $3,000,000 of additional working capital pursuant to a Securities Purchase Agreement dated that date (the "Purchase Agreement") with Niobe Ventures, LLC (the "Investor" or "Niobe"), a Delaware limited liability company (the "Financing"). Pursuant to the Purchase Agreement, we issued to the Investor (i) 43,478,260 restricted shares of our common stock at a purchase price of $0.046 per share (or $2,000,000 in the aggregate) and (ii) a senior secured convertible promissory note in the principal amount of $1,000,000 and convertible into shares of our common stock at an initial conversion price equal to $0.046 per share (the "Secured Note").

The Secured Note bears interest at a rate of 3% per annum and matures on November 13, 2012. In order to secure our obligations under the Secured Note, we also entered into a Security Agreement dated the Effective Date (the "Security Agreement") granting the Investor a security interest in substantially all of our personal property and assets, including our intellectual property. The Secured Note is convertible at any time, at the option of the holder, subject only to the requirement that we have sufficient authorized shares of common stock after taking into account all outstanding shares of common stock and the maximum number of shares issuable under all issued and outstanding convertible securities. In addition, the Secured Note will automatically be converted if (i) we raise in excess of $7.5 million of gross proceeds in an equity offering, (ii) certain milestones are achieved in our Phase 1b and RA trial of PRTX-100 in South Africa or (iii) we undertake certain fundamental transactions as defined in the notes (such as a merger, sale of all of our assets, exchange or tender offer, or reclassification of our stock or compulsory exchange). The Secured Note also provides for the adjustment of the conversion price in the event of stock dividends and stock splits, among other items, and provides for acceleration of maturity upon an event of default (as defined in the Secured Note).

As contemplated by the Purchase Agreement, all of our executive officers and all of the members of our Board of Directors (the "Board") prior to the closing of the Financing, with the exception of Frank M. Dougherty, resigned effective concurrently with the closing of the Financing. Mr. Dougherty resigned effective upon the expiration of the 10-day notice period required by Rule 14f-1 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). In addition, effective upon the closing of the Financing, our Board appointed Arnold P. Kling as a director and then elected him as president and elected Kirk M. Warshaw as chief financial officer and secretary of the Company.

In addition, on the Effective Date, we terminated (i) the Investor Rights Agreement dated September 18, 2003 among us, vSpring SBIC L.P. ("vSpring") and certain of the investors set forth on Schedule A thereto (the "2003 IRA") and the Registration Rights Agreement dated May 25, 2005 among us, vSpring and certain of the investors set forth on Schedule I thereto (the "2005 RRA") in accordance with their respective terms and (ii) stock options exercisable for an aggregate of 1,233,571 shares of our common stock, approximately 41% of our then outstanding stock options, all of which were held by three option holders, Steven H. Kane, our former CEO ("Kane"), Marc L. Rose, our former CFO ("Rose") and vSpring.

The securities issued in the Financing were issued in reliance upon the exemption from the registration requirements of the Securities Act of 1933, as amended (the "Act") pursuant to Section 4(6) and Rule 506 of Regulation D thereof. The offer, sale and issuance of such securities were made without general solicitation or advertising. The securities were offered and issued only to "accredited investors" as such term is defined in Rule 501 under the Act.

NOTE 3. BASIS OF PRESENTATION

The interim financial data contained in this Report is unaudited; however in the opinion of management, the interim data includes all adjustments, consisting of normal recurring adjustments, necessary for a fair statement of the results for the interim period. The financial statements included herein have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been omitted pursuant to such rules and regulations, although the Company believes that the disclosures included herein are adequate to make the information presented not misleading. The results of operations in interim periods are not necessarily indicative of the results that may be expected for the full year.

Information regarding the organization and business of the Company, accounting policies followed by the Company and other important information is contained in the notes to the Company's financial statements included in the Company's Annual Report on Form 10-K for the fiscal year ended May 31, 2009. This quarterly Report should be read in conjunction with such Annual Report.

NOTE 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Company to make estimates and assumptions affecting the reported amounts of assets, liabilities, revenues and expense, and the disclosure of contingent assets and liabilities. Estimated amounts could differ materially from actual results.

Loss per Common Share

The Financial Accounting Standards Board (FASB) has issued guidance for “Earnings Per Share” which provides for the calculation of “Basic” and “Diluted” earnings per share. Basic earnings per share includes no dilution and is computed by dividing net loss to common shareholders by the weighted average number of common shares outstanding for the period. All potentially dilutive securities consisting of employee stock options and warrants have been excluded from the computations since they would be antidilutive. However, these dilutive securities could potentially dilute earnings per share in the future. As of February 28, 2010 and 2009, the Company had potentially dilutive securities consisting of warrants and stock options totaling 10,223,532 comprised of 3,928,896 warrants and 6,294,636 stock options as of February 28, 2010 and 9,877,044 comprised of 3,928,896 warrants and 5,948,148 stock options as of February 28, 2009.

Share Based Compensation

The Board adopted and the stockholders approved the 2003 Stock Option Plan in October 2003 and it was amended in October 2005. The plan was adopted to recognize the contributions made by the Company’s employees, officers, consultants, and directors, to provide those individuals with additional incentive to devote themselves to the Company’s future success, and to improve the Company’s ability to attract, retain and motivate individuals upon whom the Company’s growth and financial success depends. Under the plan, stock options may be granted as approved by the Board or the Compensation Committee. There are 4,500,000 shares reserved for grants of options under the plan, of which 444,000 have been issued, subsequent to expirations and terminations, and 4,000 were exercised. The Company has issued 1,358,922 stock options as stand-alone grants, of which 2,000 were exercised prior to the adoption of the 2003 Stock Option Plan. Stock options vest pursuant to individual stock option agreements. No options granted under the plan are exercisable after the expiration of ten years (or less in the discretion of the Board or the Compensation Committee) from the date of the grant. The plan will continue in effect until terminated or amended by the Board.

The Company uses the Black-Scholes model to estimate the fair value of stock options granted based on the following assumptions:

Expected Term or Life . The expected term or life of stock options granted represents the expected weighted average period of time from the date of grant to the estimated date that the stock option would be fully exercised. The weighted average expected option term was determined using the “simplified method” for plain vanilla options as allowed by the accounting guidance. The “simplified method” calculates the expected term as the average of the vesting term and original contractual term of the options.

NOTE 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)
Share Based Compensation (continued)

Expected Volatility. Expected volatility is a measure of the amount by which the Company's stock price is expected to fluctuate over the option's expected term. Expected volatility is based on the historical daily volatility of the price of our common shares. The Company estimated the expected volatility of the stock options at grant date.

Risk-Free Interest Rate. The risk-free interest rate is based on the implied yield on U.S. Treasury zero-coupon issues with remaining terms equivalent to the expected term of our stock-based awards.

As of February 28, 2010, there were 6,294,636 stock options outstanding; the aggregate unrecognized compensation cost of unvested options, as determined using a Black-Scholes option valuation model was approximately $394,560 (net of estimated forfeitures) and will be recognized over a weighted average period of 4.52 years. During the nine months ended February 28, 2010, 4,752,714 stock options were granted and 255,000 options were forfeited or expired.

The 4,752,714 options issued during the nine months ended February 28, 2010 are ten year options with exercise prices ranging from $0.05 to $0.10. These options vest in three tranches, upon commencement of the drug test trial, upon demonstrated efficacy of the drug trial and finally, upon the execution of a licensing or financing deal. The first tranche of options have been valued at $167,840 for which $98,640 of compensation expense has been recorded. The remainder will be expensed in the next quarter. The options vesting with the achievement of the second and third milestones will be valued upon the achievement of such milestones.

	Nine Months Ended February 28, 2010	Nine Months Ended February 28, 2009	From Inception through February 28, 2010
Dividends per year	0	0	0
Volatility percentage	97.5%	96%-112%	90%-112%
Risk free interest rate	3.47%	3.11%-3.51%	2.07%-5.11%
Expected life (years)	5.0-10.0	6.25-10	3-10
Weighted average fair value	$ .09	$ .39	$ 1.56

The following summarizes certain information regarding stock options as of and for the period ended February 28, 2010:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)
Outstanding at May 31, 2009	3,296,812	$ 1.57	6.0
Granted	4,752,714	.06	5.0
Exercised	—	—	—
Forfeited	(405,811)	$ 1.17	—
Expired	(1,349,079)	$ 1.52	—
Outstanding at February 28, 2010	6,294,636	$ .51	4.5
Exercisable at February 28, 2010	1,541,922	$ .48	.97

NOTE 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The outstanding vested and exercisable stock options as of February 28, 2010 had an intrinsic value of $0 and $0, respectively.

	Total			Exercisable		
Exercise Price Range	Number	Weighted Average Exercise Price	Weighted Average Remaining Life (years)	Number	Weighted Average Exercise Price	Weighted Average Remaining Life (years)
$0.00 – 0.45	4,752,714	$ 0.06	9.8	0	$ 0	-
$0.90 – 1.35	100,000	$ 1.25	1.6	100,000	$ 1.25	1.6
$1.36 – 1.80	1,256,922	$ 1.50	3.1	1,256,922	$ 1.50	3.1
$1.81 – 2.25	10,000	$ 2.15	6.0	10,000	$ 2.15	6.0
$2.26 – 2.70	50,000	$ 2.60	5.2	50,000	$ 2.60	5.2
$2.71 – 3.15	125,000	$ 2.89	6.0	125,000	$ 2.89	6.0
	6,294,636	$ .51	8.2	1,541,922	$ 1.64	3.3

NOTE 5. LIQUIDITY

From inception through February 28, 2010, the Company has incurred an accumulated deficit of $46,556,733. As of February 28, 2010, the Company had cash and cash equivalents of $3,119,925 and net working capital of $2,631,960. The Company has incurred negative cash flow from operating activities since its inception. The Company has spent, and subject to obtaining additional financing, expects to continue to spend, substantial amounts in connection with executing its business strategy, including continued development efforts relating to PRTX-100.

The Company has no significant payments due on long-term obligations. However, the Company anticipates entering into significant contracts to perform product manufacturing and clinical trials in fiscal year 2010 and 2011 and that it will need to raise additional capital in future fiscal years to fund the ongoing FDA approval process. If the Company is unable to obtain approval of its future IND applications or otherwise advance in the FDA approval process, its ability to sustain its operations would be significantly jeopardized.

The most likely sources of additional financing include the private sale of the Company's equity or debt securities. Additional capital that is required by the Company may not be available on reasonable terms, or at all.

NOTE 6. RECENT ACCOUNTING PRONOUNCEMENTS

In June 2009, the FASB issued Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles. This guidance establishes the FASB Accounting Standards Codification as the single source of authoritative US generally accepted accounting principles recognized by the FASB to be applied to nongovernmental entities. This guidance is effective for financial statements issued for interim and annual periods ending after September 15, 2009. The adoption of this guidance will not have an impact on the Company's financial position, results of operations or cash flow. The Company will update the disclosures for the appropriate FASB codification reference after adoption in the second quarter of fiscal 2010.

In May 2009, the FASB issued guidance for *Subsequent Events* which is intended to establish general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. It requires the disclosure of the date through which an entity has evaluated subsequent events and the basis for selecting that date, that is, whether that date represents the date the financial statements were issued or were available to be issued. The Company has evaluated subsequent events after the balance sheet date of February 28, 2010 through the filing date of this quarterly Report.

Management does not believe that any new accounting pronouncements not yet effective will have a material impact on the Company's financial statements.

NOTE 7. RELATED PARTIES

Niobe, our majority shareholder and the holder of our $1 million senior secured convertible note, is controlled by our President and Director, Arnold P. Kling.

For the nine month period ended February 28, 2010, the Company incurred $0 of expenses related to air travel to a partnership principally owned by Kane. For the nine month period ended February 28, 2009, the Company incurred $7,227 of expenses related to air travel to a partnership principally owned by Kane.

The Company had an agreement with its former Chairman to pay $12,500 per month as a director fee which was terminated effective as of April 1, 2009 as described below. For the nine month period ended February 28, 2010, the Company incurred $0 for this director's fee. For the nine month period ended February 28, 2009, the Company incurred $112,500 for this director's fee.

The Company had an agreement with Carleton A. Holstrom, Eugene A. Bauer, MD, Peter G. Tombros, Frank M. Dougherty and Thomas P. Stagnaro to pay each $1,667 per month payable on a quarterly basis in arrears as a director fee which agreement for each director was terminated effective as of April 1, 2009 as described below. For the nine month period ended February 28, 2010, the Company incurred $0 for these directors' fees. For the nine month period ended February 28, 2009, the Company incurred $60,000 for these directors' fees.

Pursuant to a Cash Waiver & Option Termination Agreement dated April 10, 2009, each of the outside directors of the Company, G. Kirk Raab, Carleton A. Holstrom, Eugene A. Bauer, MD, Peter G. Tombros, Frank M. Dougherty and Thomas P. Stagnaro, who were entitled to a Director's cash fee agreed to waive all such accrued and unpaid Director cash fees and terminate any rights to receive any future cash fees. For Mr. Raab, those cash fees ceased as of April 1, 2009. For the other directors, those cash fees ceased as of February 1, 2009. In addition, each of these directors agreed to terminate immediately all of their existing Company stock options (vested and unvested).

As previously disclosed in the Form 10-K filed on August 28, 2009, Kane and Rose voluntarily terminated their employment. As of the date of this Report, Kane and Rose are the Chairman/CEO and Chief Financial Officer, respectively, of Patient Safety Technologies, Inc. At May 31, 2009 and February 28, 2010, the Company had accrued severance obligations of $845,406 and $281,361, respectively, for severance obligations to Kane covering salary, payroll taxes and health benefits. As also disclosed in our Form 8-K dated July 2, 2009, the Company subsequently entered into a consulting agreement with Rose providing for certain consulting fees through December 31, 2009.

During the three month period ended February 28, 2010, the Company issued an aggregate of 4,752,714 options to John Doherty, one of our Directors, and Kirk M Warshaw, our Chief Financial Officer and Director.

NOTE 8. SENIOR SECURED CONVERTIBLE NOTE - RELATED PARTY

On November 11, 2009, the Company issued the Secured Note to Niobe, its majority stockholder which is controlled by the Company's President and Director, Arnold P. Kling. The Secured Note bears interest at a rate of 3% per annum and matures on November 13, 2012. In order to secure its obligations under the Secured Note, the Company also entered into a Security Agreement dated November 11, 2009 (the "Security Agreement") granting Niobe a security interest in substantially all of our personal property and assets, including our intellectual property.

The Company evaluated the conversion feature of the recently issued convertible loan and determined under the accounting guidance for " Accounting for Convertible Securities with Beneficial Conversion Features" and that a value should be attributed to the embedded conversion feature. On November 11, 2009, the date of issuance of the Secured Note, the fair market value of each of the Company's shares was $0.07. The Company has determined that the maximum allocation to the conversion feature should be $521,793 and will reduce the face amount of the convertible debt carried on our balance sheet. This discount will be amortized over 36 months and will serve to increase the interest expense of the Secured Note during its term.

On December 2, 2009, the Company entered into a Credit Facility Agreement dated December 2, 2009 (the "Facility") with Niobe which will provide up to $2.0 million of additional capital in the form of secured loans from Niobe at any time prior to June 30, 2012 subject to the achievement of certain predetermined benchmarks.

NOTE 8. SENIOR SECURED CONVERTIBLE NOTE - RELATED PARTY (continued)

Any loan made pursuant to the Facility will be evidenced by a senior secured convertible note, bearing interest at a rate of 3% per annum, in the principal amount of any such loan and convertible into shares of common stock at an initial conversion price equal to the then conversion price of the Secured Note. Each such loan shall mature on the later of the fifteenth month anniversary of such loan or December 31, 2012.
In connection with the Facility, on December 2, 2009, the Security Agreement securing our obligations under the Secured Note was amended and restated to also secure any incremental obligations under the Facility (the "Amended Security Agreement"). Pursuant to the Amended Security Agreement, Niobe has a security interest in substantially all of our personal property and assets, including its intellectual property to collateralize all amounts due to it under the Secured Note and the Facility.

NOTE 9. SUBSEQUENT EVENTS

The Company has evaluated subsequent events through April 5, 2010, and has determined that there were no subsequent events to recognize or disclose in these financial statements.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

We are a development stage company which has been engaged in developing a class of biopharmaceutical drugs for treating autoimmune and inflammatory diseases. Our lead product, PRTX-100, has demonstrated effectiveness in pre-clinical studies in regulating the immune system with persisting effects. The effectiveness of PRTX-100 shown in pre-clinical studies using animal models may not be predictive of the results that we would see in future clinical trials. We currently have no commercial products. We initially targeted the autoimmune diseases idiopathic thrombocytopenic purpura, or ITP and rheumatoid arthritis, or RA.

Favorable pre-clinical safety and efficacy studies for our lead compound, PRTX-100, laid the foundation for the Investigational New Drug Application or IND, for treating RA. We submitted the IND to the United States Food and Drug Administration or FDA in March 2005 and later in March 2005 the FDA verbally advised us that it had placed our IND on clinical hold, pending additional product characterization. In August 2005, we formally replied to the FDA and in September 2005, the FDA notified us that it had lifted the clinical hold on our IND and that our proposed study could proceed. We commenced with our first Phase I clinical trial in December 2005 and completed the Phase I clinical trial in March 2006. This Phase I clinical trial was performed in healthy volunteers, and was designed primarily to assess the safety and tolerability of PRTX-100. The basic safety data demonstrated that PRTX-100 was safe and well tolerated. There were no deaths or serious adverse events. The pharmacokinetic (PK) profile was favorable and the pre-clinical PK data were confirmed by the data in this Phase I clinical trial. In May 2007, we filed an amendment to the IND with the FDA. This amendment included the final Phase I safety study report, CMC update, and a protocol for another Phase I clinical trial.

RA is an autoimmune disease that causes the inflammation of the membrane lining multiple joints, resulting in pain, stiffness, warmth, redness and swelling. The inflamed joint lining, the synovium, can invade and damage bone and cartilage. Inflammatory cells release enzymes and cytokines that may damage bone and cartilage. The involved joint can lose its shape and alignment, resulting in pain and loss of movement. In July 2007, we commenced with an additional Phase I clinical trial designed to gain more detailed information on biomarkers, including gene expression profiling and platelet functional assessments which will allow for more optimized patient selection and targeting in the upcoming clinical trials. This second Phase I clinical trial extended the clinical investigation of PRTX-100 tolerability, PK, and pharmacodynamics, or PD, at higher dose ranges. Dosing was completed in July 2007 and final results indicated that the drug was safe and well tolerated. A Phase Ib randomized, double-blind, placebo-controlled, multiple dose, dose escalation safety and tolerability study of PRTX-100 in combination with methotrexate in patients with active RA in South Africa has been approved.

ITP is an uncommon autoimmune bleeding disorder characterized by too few platelets in the blood. Affected individuals may have bruising, small purple marks on the skin called petechiae, bleeding from the gums after having dental work, nosebleeds or other bleeding that is hard to stop, and in women, heavy menstrual bleeding. Although bleeding in the brain is rare, it can be life threatening if it occurs. The affected individuals make antibodies against their own platelets leading to the platelets' destruction, which in turn leads to the abnormal bleeding. In ITP, we contracted Trident Clinical Research Pty Ltd, a leading Australian clinical research organization, to manage and monitor our first-in-patient ITP clinical trial. This clinical trial is designed to provide initial multiple dose safety and PK data as well as preliminary efficacy information. We have been approved for six sites in Australia and one in New Zealand, all regional referral centers for treatment of chronic ITP, to conduct a repeated dose study of PRTX-100 in chronic ITP patients. This clinical trial began enrolling patients in the second calendar quarter of 2008. In calendar 2008, we enrolled nine patients of which five completed the trial and final results indicated that the drug was safe and well tolerated, although no efficacy data was obtained. Subsequently, we obtained protocol approval to increase the dose range. While we were actively soliciting patients in calendar 2009 under this new protocol, no patients have been enrolled and none are currently being solicited as of the date of this Report.

As of the date of this Report, further recruitment of patients for our ITP clinical trials have been terminated pending an evaluation of the Company's clinical trial programs**.**

Our bioregulatory compounds are based on the principle of normalizing the activities of immune cells at a more basic level than traditional pharmaceutical agents, which act upon the end products of complex body functions. In autoimmune disease models, PRTX-100, which is a natural compound, has reversed the pathologic process resulting in a restoration and maintenance of normal healthy tissue. This biotechnology could be applied to a range of serious autoimmune diseases that affect millions of sufferers worldwide, such as pemphigus, systemic lupus erythematosus or lupus, psoriasis, inflammatory bowel diseases such as Crohn's disease and ulcerative colitis, insulin-dependent diabetes mellitus, and multiple sclerosis. To date, however, we have not conducted any pre-clinical trials related to the treatment of these diseases and to do so would require substantial additional capital infusions.

Our business operations are located in Summit, New Jersey. We do not have a lab operation. We previously outsourced all of our activities to contract organizations and facilities. For example, we previously refined the manufacturing process of PRTX-100 under Current Good Manufacturing Practice, or cGMP.

Our in-house research previously included demonstrating the efficacy of PRTX-100 in well established and characterized animal models of RA and other autoimmune diseases. For example, we have tested PRTX-100 in the murine collagen induced arthritis model, or CIA, which is considered to be a predictive efficacy model for RA in humans. This is the model that was used to test the efficacy of the FDA approved drug, etanercept, or Enbrel®. PRTX-100 has also demonstrated its efficacy in an animal model of systemic lupus erythematosus. Additionally, our laboratory personnel had previously developed a pre-clinical ITP model with data showing that PRTX-100 inhibits the phagocytosis (ingestion) of platelets in vitro. Platelet phagocytosis is the effector limb of ITP.

Exclusive of the Financing, described below, we have concluded eight private placements of our common stock, raising a total of $42.2 million in the aggregate and carrying us through basic research, pre-clinical and early stage clinical trials. The private placement in July 2006 raised approximately $15.2 million. We have completed two Phase I clinical trials, commenced with the Phase Ib clinical trial for ITP in Australia which as of the date of this Report has been terminated and previously commenced the planning process for a Phase Ib clinical trial for RA in South Africa, which planning process is currently underway. Without adequate additional financing, however, we will be unable to restart and fund a continuance of the FDA approval process.

On November 11, 2009 (the "Effective Date"), we consummated a financing transaction in which we raised $3,000,000 of additional working capital pursuant to a Securities Purchase Agreement dated that date (the "Purchase Agreement") with Niobe Ventures, LLC (the "Investor" or Niobe), a Delaware limited liability company (the "Financing"). Pursuant to the Purchase Agreement, we issued to the Investor (i) 43,478,260 restricted shares of our common stock at a purchase price of $0.046 per share (or $2,000,000 in the aggregate) and (ii) a senior secured convertible promissory note in the principal amount of $1,000,000 and convertible into shares of our common stock at an initial conversion price equal to $0.046 per share (the "Secured Note").

The Secured Note bears interest at a rate of 3% per annum and matures on November 13, 2012. In order to secure our obligations under the Secured Note, we also entered into a Security Agreement dated the Effective Date (the "Security Agreement") granting the Investor a security interest in substantially all of our personal property and assets, including our intellectual property. The Secured Note is convertible at any time, at the option of the holder, subject only to the requirement that we have sufficient authorized shares of common stock after taking into account all outstanding shares of common stock and the maximum number of shares issuable under all issued and outstanding convertible securities. In addition, the Secured Note will automatically be converted if (i) we raise in excess of $7.5 million of gross proceeds in an equity offering, (ii) certain milestones are achieved in our Phase 1b and RA trial of PRTX-100 in South Africa or (iii) we undertake certain fundamental transactions as defined in the notes (such as a merger, sale of all of our assets, exchange or tender offer, or reclassification of our stock or compulsory exchange). The Secured Note also provides for the adjustment of the conversion price in the event of stock dividends and stock splits, among other items, and provides for acceleration of maturity upon an event of default (as defined in the Secured Note).

As contemplated by the Purchase Agreement, all of our executive officers and all of the members of our Board prior to the closing of the Financing, with the exception of Frank M. Dougherty, resigned effective concurrently with the closing of the Financing. Mr. Dougherty resigned effective upon the expiration of the 10-day notice period required by Rule 14f-1 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). In addition, effective upon the closing of the Financing, our Board appointed Arnold P. Kling as a director and then elected him as president and elected Kirk M. Warshaw as chief financial officer and secretary.

In addition, on the Effective Date, we terminated (i) the Investor Rights Agreement dated September 18, 2003 among us, vSpring SBIC L.P. ("vSpring") and certain of the investors set forth on Schedule A thereto (the "2003 IRA") and the Registration Rights Agreement dated May 25, 2005 among us, vSpring and certain of the investors set forth on Schedule I thereto (the "2005 RRA") in accordance with their respective terms and (ii) stock options exercisable for an aggregate of 1,233,571 shares of our common stock, approximately 41% of our then outstanding stock options, all of which were held by three option holders, Steven H. Kane, our former CEO, Marc L. Rose, our former CFO and vSpring.

The securities issued in the Financing were issued in reliance upon the exemption from the registration requirements of the Securities Act of 1933, as amended (the "Act") pursuant to Section 4(6) and Rule 506 of Regulation D thereof. The offer, sale and issuance of such securities were made without general solicitation or advertising. The securities were offered and issued only to "accredited investors" as such term is defined in Rule 501 under the Act.

Critical Accounting Policies

Our financial statements are prepared in conformity with accounting principles generally accepted in the United States of America. Note 2 to the financial statements describes the significant accounting policies and methods used in the preparation of our financial statements.

We have identified the policies below as some of the more critical to our business and the understanding of our financial position and results of operations. These policies may involve a high degree of judgment and complexity in their application and represent the critical accounting policies used in the preparation of our financial statements. Although we believe our judgments and estimates are appropriate and correct, actual future results may differ from estimates. If different assumptions or conditions were to prevail, the results could be materially different from these reported results. The impact and any associated risks related to these policies on our business operations are discussed throughout this Report where such policies affect our reported and expected financial results.

The preparation of our financial statements, in conformity with accounting principles generally accepted in the United States, requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and equity and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of expenses during the reporting period. These estimates have a material impact on our financial statements and are discussed in detail throughout this Report.

As part of the process of preparing our financial statements, we are required to estimate income taxes in each of the jurisdictions in which we operate. This process involves estimating actual current tax expense together with assessing temporary differences resulting from differing treatment of items for tax and accounting purposes. These differences result in deferred tax assets and liabilities, which are included within the balance sheet. We must then assess the likelihood that our deferred tax assets will be recovered from future taxable income and to the extent we believe that recovery is not likely, we must establish a valuation allowance. In the event that we determine that we would be able to realize deferred tax assets in the future in excess of the net recorded amount, an adjustment to the deferred tax asset valuation allowance would increase income in the period such determination was made.

We account for our stock option grants under the provisions of the accounting guidance for Share-Based Payments. Such guidance requires the recognition of the fair value of share-based compensation in the statements of operations. The fair value of our stock option awards was estimated using a Black-Scholes option valuation model. This model requires the input of highly subjective assumptions and elections in adopting and implementing this guidance, including expected stock price volatility and the estimated life of each award. The fair value of share-based awards is amortized over the vesting period of the award and we have elected to use the straight-line method for awards granted after the adoption of this guidance.

Results of Operations

Research and Development Expenses - - Research and Development expenses ("R&D Expenses")were $329,487 and $671,674 for the three and nine months ended February 28, 2010, respectively, and $1,002,553 and $2,866,890 for the three and nine months ended February 28, 2009, respectively. The decrease in R&D expenses for the three and nine month periods ended February 28, 2010 compared to the same prior year periods were primarily the result of decreased employee compensation and share based compensation expense and a decrease in product manufacturing, formulation and packaging related costs.

There are significant risks and uncertainties inherent in the preclinical and clinical studies associated with our research and development program. These studies may yield varying results that could delay, limit or prevent a program's advancement through the various stages of product development and significantly impact the costs to be incurred, and time involved, in bringing a program to completion. As a result, the costs to complete such programs, as well as the period in which net cash outflows from such programs are expected to be incurred, are not reasonably estimable.

Administrative Expenses - Administrative expenses were $324,722 and $698,476 for the three and nine months ended February 28, 2010, respectively, and $569,142 and $1,800,483 for the three and nine months ended February 28, 2009, respectively. The decrease in Administrative expenses for the three and nine month periods ended February 28, 2010 compared to the same prior year periods were due to decreased employee compensation and share based compensation expense.

Professional Fees - Professional expenses were $77,658 and $530,933 for the three and nine months ended February 28, 2010, respectively, and $32,780 and $296,073 for the three and nine months ended February 28, 2009, respectively. The increases for the three and nine month periods ended February 28, 2010 compared to the same prior year periods were due to an increase in legal, accounting, and consulting fees as compared to the same period last year due largely to expenses related to the aforementioned change in control transaction consummated on November 11, 2009.

Net Loss Outlook

We have not generated any product sales revenues, have incurred operating losses since inception and have not achieved profitable operations. Our accumulated deficit from inception through February 28, 2010 was $46,556,733 and we expect to continue to incur substantial losses in future periods. We expect that our operating losses in future periods will be the result of continued research and development expenses relating to PRTX-100, as well as costs incurred in preparation for the potential commercialization of PRTX-100.

In addition to additional financing, we are highly dependent on the success of our research and development efforts and, ultimately, upon regulatory approval and market acceptance of our products under development, particularly our lead product candidate, PRTX-100. We may never receive regulatory approval for any of our product candidates, generate product sales revenues, achieve profitable operations or generate positive cash flows from operations, and even if profitable operations are achieved, they may not be sustained on a continuing basis.

Liquidity and Capital Resources

Since 1999, we have incurred significant losses and we expect to experience operating losses and negative operating cash flow for the foreseeable future. Historically, our primary source of cash to meet short-term and long-term liquidity needs has been the sale of shares of our common stock. We have issued shares in private placements at discounts to then current market price.

On September 18, 2003, we raised $12,657,599 through the sale of 7,445,646 shares of our common stock at $1.70 per share, with warrants to purchase an additional 3,164,395 shares of our common stock, at an exercise price of $2.40 per share. These warrants expired on September 19, 2008. Net of transaction costs of $1,301,536, our proceeds were $11,356,063.

On May 25, 2005, we raised $5,057,885 through the sale of 2,593,788 shares of our common stock at $1.95 per share, with warrants to purchase an additional 920,121 shares of our common stock, at an exercise price of $2.25 per share. All of these warrants expire on May 25, 2010. Net of transaction costs of $206,717, our proceeds were $4,851,168.

On December 30, 2005, we raised $5,839,059 through the sale of 2,595,132 shares of our common stock at $2.25 per share, with warrants to purchase an additional 648,784 shares of our common stock, at an exercise price of $2.99 per share. We also issued warrants to purchase 227,074 shares of our common stock, at an exercise price of $2.99 per share, to the placement agent. All of these warrants expire on December 30, 2010. Net of transaction costs of approximately $328,118, our proceeds were $5,510,941.

In the fourth fiscal quarter of 2006, existing investors exercised 351,598 warrants which resulted in $786,538 in cash proceeds.

On July 7, 2006, we raised $14,217,660, net of transaction costs of $959,874, through the sale of 6,071,013 shares of our common stock at $2.50 per share, with warrants to purchase an additional 1,517,753 shares of our common stock, at an exercise price of $3.85 per share. We also issued warrants to purchase 531,214 shares of our common stock, at an exercise price of $3.85 per share, to the placement agent. All of these warrants expire on July 7, 2011.

In the first fiscal quarter of 2007, existing investors and option holders exercised 133,500 warrants and 6,000 options which resulted in $315,574 in cash proceeds.

On November 11, 2009, we raised $3,000,000; $2,000,000 from the sale of common stock and $1,000,000 from the issuance the Secured Note to Niobe.

On December 2, 2009, we entered into a Credit Facility Agreement dated December 2, 2009 (the “Facility”) with Niobe which will provide up to $2.0 million of additional capital in the form of secured loans from Niobe to us at any time prior to June 30, 2012 subject to our achievement of certain predetermined benchmarks.

To the extent any further warrants are exercised, we intend to use the proceeds for general working capital and corporate purposes. Currently, however, the exercise price of all of our outstanding warrants as disclosed above are significantly in excess of what our stock has been trading in calendar year 2009 as of the date of this Report.

Net Cash Used In Operating Activities and Operating Cash Flow Requirements Outlook

Our operating cash outflows for the nine months ended February 28, 2010 and 2009 have resulted primarily from research and development expenditures associated for PRTX-100 and administrative purposes. We expect to continue to use cash resources to fund operating losses and expect to continue to incur operating losses in fiscal 2010 and beyond due to continuing research and development activities.

Net Cash Used In Investing Activities and Investing Requirements Outlook

We do not expect to be required to make any significant investments in information technology and laboratory equipment to support our future research and development activities. In August 2008, we sold laboratory equipment with net proceeds of $200,000.

We may never receive regulatory approval for any of our product candidates, generate product sales revenues, achieve profitable operations or generate positive cash flows from operations, and even if profitable operations are achieved, these may not be sustained on a continuing basis. We have invested a significant portion of our time and financial resources since our inception in the development of PRTX-100, and our potential to achieve revenues from product sales in the foreseeable future is dependent largely upon obtaining regulatory approval for and successfully commercializing PRTX-100, especially in the United States. We expect to continue to use our cash and investments resources to fund operating and investing activities.

Off-Balance Sheet Arrangements

As of February 28, 2010, we had no off-balance sheet arrangements such as guarantees, retained or contingent interest in assets transferred, obligation under a derivative instrument and obligation arising out of or a variable interest in an unconsolidated entity.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

As a smaller reporting company we are not required to provide the information required by this Item.

ITEM 4T. CONTROLS AND PROCEDURES

(a) Evaluation of Disclosure Controls and Procedures

Our management, with the participation of both of our president and chief financial officer, carried out an evaluation of the effectiveness of our "disclosure controls and procedures" (as defined in the Securities Exchange Act of 1934 (the "Exchange Act") Rules 13a-15(e) and 15-d-15(e)) as of the end of the period covered by this Report (the "Evaluation Date"). Based upon that evaluation, both of our president and chief financial officer concluded that as of the Evaluation Date, our disclosure controls and procedures are effective to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act (i) is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms and (ii) is accumulated and communicated to our management, including our president and our chief financial officer, as appropriate to allow timely decisions regarding required disclosure.

(b) Changes in Internal Control over Financial Reporting

There were no changes in our internal controls over financial reporting that occurred during the period covered by this Report that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

ITEM 6. EXHIBITS

Exhibit No.	Description
4.1	Secured Convertible Promissory Note dated November 11, 2009.(1)
10.1	Note and Common Stock Purchase Agreement dated November 11, 2009, between the Company and Niobe Ventures, LLC.(1)
10.2	Security Agreement dated November 11, 2009, between the Company and Niobe Ventures, LLC.(1)
10.3	Form of Indemnification Agreement dated November 11, 2009 between the Company and each of Messrs. Kling and Warshaw.(1)
10.4	Final Form of Credit Facility Agreement dated as of December 2, 2009, between the Company and Niobe Ventures, LLC.(2)
10.5	Final Form of Amended and Restated Security Agreement dated as of December 2, 2009, between the Company and Niobe Ventures, LLC.(2)
10.6	**Form of Non-Qualified Stock Option Agreement with Kirk M. Warshaw.(3)
10.7	**Form of Non-Qualified Stock Option Agreement with John Doherty.
31.1	Certification of the President pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of the President pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

**Denotes compensatory plan, compensation arrangement or management contract.

(1) Filed on November 13, 2009 as an exhibit with the same number with the Company's Current Report on Form 8-K.
(2) Filed on December 2, 2009 as an exhibit with the same number with the Company's Current Report on Form 8-K.
(3) Filed on January 8, 2010 as an exhibit with the same number with the Company's Quarterly Report on Form 10-Q.

SIGNATURES

In accordance with 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.

Date: April 7, 2010 PROTALEX, INC.

By: /s/ Arnold P. Kling

Arnold P. Kling, President

Date: April 7, 2010

By: /s/ Kirk M. Warshaw

Kirk M. Warshaw, Chief Financial Officer

PROTALEX, INC.

Stock Option Agreement
(this **"Agreement"**)

Dated: January 15, 2010
(**"Grant Date"**)

Protalex, Inc., a Delaware corporation (the **"Company"**), hereby grants to John E. Doherty (the "**Optionee"**), a stock option to purchase a total of 1,000,000 shares of the Company's Common Stock, par value $.00001 per share (the **"Common Stock"**), at a the price of $0.10 per share (the **"Exercise Price"**).

1. Term.

This option shall expire ten (10) years from the date hereof (the **"Termination Date"**).

2. Characterization of Options.

The option granted pursuant to this Agreement is intended to constitute a non-qualified option, subject to §83 of the Internal Revenue Code of 1986, as amended (the **"Code"**).

3. Exercise of Options.

(a) This option shall vest and become exercisable on December 29, 2012, subject to earlier vesting and exercisability as follows:

Milestone 1: Upon the commencement of the Company's Rheumatoid Arthritis trial in South Africa (the "RA Trial"), this option shall vest and become exercisable with respect to the purchase of up to 200,000 shares of Common Stock;

Milestone 2: Upon demonstrated efficacy of the RA Trial, this option shall vest and become exercisable with respect to the purchase of up to 500,000 shares of Common Stock, including the shares from Milestone 1; and

Milestone 3: Upon the execution of either a licensing, strategic or financing agreement with a strategic or financial third party which yields minimum gross proceeds to the Company of $7.5 million, this option shall vest and become exercisable with respect to the purchase of up to 1,000,000 shares of Common Stock, including the shares from Milestones 1 and 2.

(b) To the extent vested prior to the Termination Date, this option shall be exercisable by written notice of such exercise, in the form prescribed by the Board of Directors of the Company (the "Board"), to the Secretary or Treasurer of the Company at its principal office. The notice shall specify the number of shares of Common Stock for which the option is being exercised (which number, if less than all of the shares then subject to exercise, shall be 50 or a multiple thereof) and shall be accompanied by payment (i) in cash or by check in the amount equal to the Exercise Price multiplied by the number of shares to be purchased upon exercise, or (ii) in such other manner as the Board shall deem acceptable. No shares shall be delivered upon exercise of any option until all laws, rules and regulations which the Board may deem applicable have been complied with.

(c) The Optionee shall not be considered a record holder of the Common Stock issuable pursuant to this Agreement for any purpose until the date on which he is actually recorded as the holder of such Common Stock in the records of the Company.

(d) To the extent vested, prior to the Termination Date, this option shall be exercisable only so long as the Optionee shall continue to be a Board member and within the ninety (90) day period after the date of termination of such Board membership, to the extent vested on the such date of termination; provided, however, such termination was without cause.

(e) Notwithstanding the provision of Section 3(d) above:

(i) In the event the Optionee is unable to continue as a Board member due to his total and permanent disability (as defined in §105(d)(4) of the Code), this option may be exercised, to the extent vested on the date of such disability, within the ninety (90) day period from the date of such disability;

(ii) In the event of death of the Optionee, this option may be exercised, to the extent vested on the date of death, at any time within twelve (12) months following such date of death by the Optionee's estate or by a person who acquired the right to exercise this option by bequest or inheritance; provided that at the time of his death the Optionee was a Board member; and

(iii) In the event the Optionee's Board membership is terminated for cause, this option may be exercised, to the extent vested on the date of such termination, within the thirty (30) day period after the date of such termination.

Notwithstanding the provisions of this Section (e), in no event shall this option be exercisable after the Termination Date.

4. Anti-Dilution Provisions.

(a) If there is any stock dividend, stock split, or combination of shares of Common Stock, the number and amount of shares then subject to this option shall be proportionately and appropriately adjusted; no change shall be made in the aggregate purchase price to be paid for all shares subject to this option, but the aggregate purchase price shall be allocated among all shares subject to this option after giving effect to the adjustment.

(b) If there is any other change in the Common Stock, including recapitalization, reorganization, sale or exchange of assets, exchange of shares, offering of subscription rights, or a merger or consolidation in which the Company is the surviving corporation, an adjustment, if any, shall be made in the shares then subject to this option as the Board may deem equitable. Failure of the Board to provide for an adjustment pursuant to this subparagraph prior to the effective date of any Company action referred to herein shall be conclusive evidence that no adjustment is required in consequence of such action.

(c) If the Company is merged into or consolidated with any other corporation, or if it sells all or substantially all of its assets to any other corporation, then either (i) the Company shall cause provisions to be made for the continuance of this option after such event, or for the substitution for this option of an option covering the number and class of securities which the Optionee would have been entitled to receive in such merger or consolidation by virtue of such sale if the Optionee had been the holder of record of a number of shares of Common Stock equal to the number of shares covered by the unexercised portion of this option, or (ii) the Company shall give to the Optionee written notice of its election not to cause such provision to be made and this option shall become exercisable in full (or, at the election of the Optionee, in part) at any time during a period of 20 days, to be designated by the Company, ending not more than 10 days prior to the effective date of the merger, consolidation or sale, in which case this option shall not be exercisable to any extent after the expiration of such 20-day period.

5. Investment Representation; Legend on Certificates; Special Restriction on Resale.

The Optionee agrees that until such time as a registration statement under the Securities Act of 1933, as amended (the "1933 Act"), becomes effective with respect to the option and/or the stock, the Optionee is taking this option and will take the stock underlying this option, for his own account, for investment and not with a view to the resale or distribution thereof. The Company shall have the right to place upon the face of any stock certificate or certificates evidencing shares issuable upon the exercise of this option such legend as the Board may prescribe for the purpose of preventing disposition of such shares in violation of the 1933 Act, as now or hereafter provided.

6. Non-Transferability.

This option shall not be transferable by the Optionee other than by will or by the laws of descent or distribution, and is exercisable during the lifetime of the Optionee only by the Optionee.

7. Certain Rights Not Conferred by Option.

The Optionee shall not, by virtue of holding this option, be entitled to any rights of a stockholder in the Company.

8. Expenses.

The Company shall pay all original issue and transfer taxes with respect to the issuance and transfer of shares of Common Stock pursuant hereto and all other fees and expenses necessarily incurred by the Company in connection therewith.

9. Miscellaneous.

In no event shall this option be exercisable after the Termination Date. Nothing herein shall be deemed to create any employment agreement or guaranty of the Optionee's position as a Board member or limit in any way the Company's right to terminate Optionee's position as a Board member at any time.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their respective duly authorized representatives as of the date first above written.

PROTALEX, INC.

By: _____
Arnold P. Kling, President

Accepted as of the date first set forth above:

_____
John E. Doherty, Optionee

Exhibit 31.1

CERTIFICATION

I, Arnold P. Kling, certify that:

1. I have reviewed this quarterly Report on Form 10-Q of Protalex, Inc.;

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

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

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

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

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

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

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

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

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

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

Date: April 7, 2010

/s/ Arnold P. Kling.
Arnold P. Kling
President
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION

I, Kirk M. Warshaw, certify that:

1. I have reviewed this quarterly Report on Form 10-Q of Protalex Inc.;

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

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

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

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

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

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

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

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

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

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

Date: April 7, 2010

/s/ Kirk M. Warshaw
Kirk M. Warshaw
Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

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 Protalex, Inc. (the "Company") on Form 10-Q for the period ending February 28, 2010 as filed with the Securities and Exchange Commission (the "Report"), I, Arnold P. Kling, President of the Company, certify, pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Dated: April 7, 2010

/s/ Arnold P. Kling
Arnold P. Kling
President

A signed original of this certification has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32.2

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 Protalex, Inc. (the "Company") on Form 10-Q for the period ending February 28, 2010 as filed with the Securities and Exchange Commission (the "Report"), I, Kirk M. Warshaw, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Dated: April 7, 2010

/s/ Kirk M. Warshaw
Kirk M. Warshaw
Chief Financial Officer

A signed original of this certification has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.