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 September 30, 2015

OR

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

For the transition period from to

Commission file number: 000-55158

COCRYSTAL PHARMA, INC.

(Exact Name of Registrant as Specified in Its Charter)

Delaware	**35-2528215**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
19805 North Creek Parkway **Bothell, Washington**	**98011**
(Address of Principal Executive Offices)	(Zip Code)

(425) 398-7178
(Registrant's Telephone Number, Including Area Code)

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 the registrant was required to submit and post such files). Yes ☒ No ☐

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

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer (Do not check if a smaller reporting company)	☐	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 ☒

As of November 16, 2015, the number of outstanding shares of the registrant's common stock, par value $0.001 per share, was 694,374,850.

COCRYSTAL PHARMA, INC.

FORM 10-Q FOR THE QUARTER ENDED SEPTEMBER 30, 2015

INDEX

PART I — FINANCIAL INFORMATION

Cocrystal Pharma, Inc.
CONDENSED CONSOLIDATED BALANCE SHEETS
(unaudited)
(in thousands)

	September 30, 2015 (unaudited)	December 31, 2014
Assets		
Current assets:		
Cash and cash equivalents	$ 12,413	$ 3,970
Accounts receivable	12	122
Marketable securities	-	1,975
Prepaid and other current assets	632	144
Mortgage note receivable, current portion	168	165
Total current assets	13,225	6,376
Property and equipment, net	369	284
Deposits	31	31
Mortgage note receivable, long-term portion	2,374	2,431
In process research and development	184,966	184,966
Goodwill	65,195	65,195
Total assets	$ 266,160	$ 259,283
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	724	299
Accrued expenses	331	394
Derivative liabilities	3,096	8,464
Total current liabilities	4,151	9,157
Long-term liabilities		
Deferred rent	61	62
Deferred tax liability	65,195	65,195
Total long-term liabilities	65,256	65,257
Total liabilities	69,407	74,414
Series A convertible preferred stock, $0.001 par value; 1,000 shares authorized, 0 and 1,000 issued and outstanding at September 30, 2015 and December 31, 2014, issued in the merger with RFS Pharma, LLC	-	178,218
Stockholders' equity:		
Series B convertible preferred stock, $.001 par value; 5,000 shares authorized; 0 and 1,000 shares issued and outstanding at September 30, 2015 and December 31, 2014, respectively	-	1
Common stock, $.001 par value; 800,000 and 200,000 shares authorized; 694,375 and 122,494 issued and outstanding at September 30, 2015 and December 31, 2014, respectively	694	123
Additional paid-in capital	228,166	18,725
Accumulated other comprehensive income, net of tax	-	236
Accumulated deficit	(32,107)	(12,434)
Total stockholders' equity	196,753	6,651
Total liabilities and stockholders' equity	$ 266,160	$ 259,283

Cocrystal Pharma, Inc.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(unaudited)
(in thousands, except per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	**2014**	**2015**	**2014**
Grant revenues	$ 24	$ -	$ 78	$ -
Operating expenses				
Research and development	2,177	866	5,751	2,722
General and administrative	1,437	353	3,902	1,417
Total operating expenses	3,614	1,219	9,653	4,139
Loss from operations	(3,590)	(1,219)	(9,575)	(4,139)
Other income (expense)				
Interest income	45	50	134	50
Realized gain (loss) on marketable securities	-	-	(1,686)	480
Other income (expense), net	1	(4)	-	(5)
Fair value of warrant liabilities in excess of proceeds from financing	-	-	-	(946)
Loss on return of escrowed shares	-	(584)	-	(584)
Change in fair value of derivative liabilities	3,036	(792)	(8,494)	6,952
Total other income (expense), net	3,082	(1,330)	(10,046)	5,947
Income (loss) before income taxes	(508)	(2,549)	(19,621)	1,808
Income tax expense	-	-	(52)	-
Net income (loss)	$ (508)	$ (2,549)	$ (19,673)	$ 1,808
Comprehensive income (loss):				
Net loss	$ (508)	$ (2,549)	$ (19,673)	$ 1,808
Unrealized gain (loss) on marketable securities, net of tax	-	408	-	2,235
Total comprehensive income (loss)	$ (508)	$ (2,141)	$ (19,673)	$ 4,043
Net loss per common share:				
Income (loss) per share, basic	$ (0.00)	$ (0.01)	$ (0.03)	$ 0.01
Weighted average common shares outstanding, basic	694,375	327,209	609,803	326,534
Income (loss) per share, diluted	$ (0.01)	$ (0.01)	$ (0.03)	$ 0.01
Weighted average common shares outstanding, diluted	696,946	327,209	609,803	353,203

Cocrystal Pharma, Inc.
CONDENSED CONSOLIDATED STATEMENT OF CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' EQUITY
(unaudited)
(in thousands)

	Series A Convertible Preferred Stock		Series B Convertible Preferred Stock		Common Stock		Additional Paid-in capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount	Shares	Amount	Shares	Amount				
Balance as of December 31, 2014	1,000	$ 178,218	1,000	$ 1	122,494	$ 123	$ 18,725	$ 236	$ (12,434)	$ 6,651
Exercise of common stock options					161	-	20			20
Conversion of Series A and Series B convertible shares to common stock	(1,000)	(178,218)	(1,000)	(1)	545,844	546	177,673			178,218
Stock-based compensation							2,049			2,049
Sale of common shares					17,239	17	15,845			15,862
Unrealized loss on marketable securities, net of tax								(236)		(236)
Exercise of warrants					8,637	8	13,854			13,862
Net loss									(19,673)	(19,673)
Balance as of September 30, 2015	-	$ -	-	$ -	694,375	$ 694	$ 228,166	$ -	$ (32,107)	$ 196,753

Cocrystal Pharma, Inc.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)
(in thousands)

	Nine months ended September 30,	
	2015	**2014**
Operating activities:		
Net income (loss)	$ (19,673)	$ 1,808
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Depreciation	133	154
Deferred income taxes	52	-
Stock-based compensation	2,049	25
Fair value of warrant liabilities in excess of proceeds from financing	-	946
Change in fair value of derivative liabilities	8,494	(6,952)
Loss on return of escrowed shares	-	584
Realized loss (gain) on marketable securities	1,686	(480)
Loss on sale of equipment	-	6
Interest receivable	-	(16)
Changes in operating assets and liabilities, net of effects of reverse merger with BiozonePharmaceuticals, Inc. and the merger with RFS Pharma, LLC:		
Prepaid expenses and other current assets	(380)	26
Accounts payable and accrued expenses	362	(358)
Net cash used in operating activities	(7,277)	(4,257)
Investing activities		
Cash acquired in acquisition of Biozone Pharmaceuticals, Inc.	-	589
Purchase of fixed assets	(217)	(4)
Long term deposits	-	(3)
Proceeds from sale of marketable securities	-	5,400
Investment in mortgage note receivable	-	(2,626)
Principal payments received on mortgage note receivable	55	8
Net cash (used in) provided by investing activities	(162)	3,364
Financing activities		
Proceeds from exercise of stock options	20	115
Proceeds from issuance of common stock and warrants	15,862	2,750
Net cash provided by financing activities	15,882	2,865
Net increase in cash and cash equivalents	8,443	1,972
Cash and cash equivalents at beginning of period	3,970	1,034
Cash and cash equivalents at end of period	$ 12,413	$ 3,006

Cocrystal Pharma, Inc.
Notes to the Condensed Consolidated Financial Statements
September 30, 2015
(unaudited)

Note 1- Organization and Significant Accounting Policies

Overview

Cocrystal Pharma, Inc. ("the Company") was formerly incorporated in Nevada under the name Biozone Pharmaceuticals, Inc. On January 2, 2014, Biozone Pharmaceuticals, Inc. sold substantially all of its assets to MusclePharm Corporation ("MusclePharm"), and, on the same day, merged with Cocrystal Discovery, Inc. ("Discovery") in a transaction accounted for as a reverse merger. Following the merger, the Company assumed Discovery's business plan and operations. On March 18, 2014, the Company reincorporated in Delaware under the name Cocrystal Pharma, Inc.

Effective November 25, 2014, Cocrystal Pharma, Inc. and affiliated entities completed a series of merger transactions as a result of which Cocrystal Pharma, Inc. merged with RFS Pharma, LLC, a Georgia limited liability company ("RFS Pharma"). We refer to the surviving entity of this merger as "Cocrystal" or the "Company."

Cocrystal is a biotechnology company which develops novel medicines for use in the treatment of human viral diseases. Cocrystal has developed proprietary structure-based drug design technology and antiviral nucleoside chemistry to create first-in-class and best-in-class antiviral drug candidates. Our focus is to pursue the development and commercialization of broad-spectrum antiviral drug candidates that will transform the treatment and prophylaxis of hepatitis C, Norovirus, and influenza. By concentrating our research and development efforts on viral replication inhibitors, we plan to leverage our infrastructure and expertise in these areas.

The Company operates in only one segment. Management uses cash flow as the primary measure to manage its business and does not segment its business for internal reporting or decision-making.

The Company's activities since inception have consisted principally of acquiring product and technology rights, raising capital, and performing research and development. Successful completion of the Company's development programs and, ultimately, the attainment of profitable operations are dependent on future events, including, among other things, its ability to access potential markets; secure financing; develop a customer base; attract, retain and motivate qualified personnel; and develop strategic alliances. Through September 30, 2015, the Company has funded its operations through equity offerings, private placements of convertible debt, and debt financings.

As of September 30, 2015, the Company had an accumulated deficit of $32.1 million. During the nine month period ended September 30, 2015, the Company had a loss from operations of $9.6 million. Cash used in operating activities was approximately $7.3 million for the nine months ended September 30, 2015. The Company expects to continue to incur substantial operating losses and negative cash flows from operations over the next several years during its clinical development phase. Over that period, the Company will need to raise additional debt or equity financing to fund its development. If the Company is not able to secure adequate additional funding, the Company may be forced to make reductions in spending, extend payment terms with suppliers, and/or suspend or curtail planned programs. Any of these actions could materially harm the Company's business, results of operations, financial condition and future prospects.

Basis of Presentation and Significant Accounting Policies

The accompanying condensed consolidated financial statements have been prepared pursuant to the rules of the Securities and Exchange Commission ("SEC"). Certain information and footnote disclosures, normally included in annual financial statements prepared in accordance with U.S. generally accepted accounting principles ("GAAP"), have been condensed or omitted pursuant to those rules and regulations. We believe disclosures made are adequate to make the information presented not misleading. In the opinion of management, all adjustments, consisting only of normal recurring adjustments necessary to fairly state the financial position, results of operations and cash flows with respect to the interim condensed consolidated financial statements have been included. The results of operations for the interim periods are not necessarily indicative of the results of operations for the entire fiscal year. All intercompany accounts and transactions have been eliminated in consolidation. Reference is made to the audited annual financial statements of Cocrystal Pharma, Inc. included in our Annual Report on Form 10-K for the year ended December 31, 2014 filed on March 31, 2015 ("Annual Report") which contain information useful to understanding the Company's businesses and financial statement presentations. The condensed consolidated balance sheet as of December 31, 2014 was derived from the Company's most recent audited financial statements, but does not include all disclosures required by GAAP for a year-end balance sheet. Our significant accounting policies and practices are presented in Note 2 to the financial statements included in the Form 10-K.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of expenses during the reporting period. Actual results could differ from those estimates.

Recent Accounting Pronouncements

In August 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-15, *Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern* (ASU 2014-15). ASU 2014-15 requires management to determine whether substantial doubt exists regarding the entity's going concern presumption, which generally refers to an entity's ability to meet its obligations as they become due. If substantial doubt exists but is not alleviated by management's plan, the footnotes must specifically state that "there is substantial doubt about the entity's ability to continue as a going concern within one year after the financial statements are issued". In addition, if substantial doubt exists, regardless of whether such doubt was alleviated, entities must disclose (a) principal conditions or events that raise substantial doubt about the entity's ability to continue as a going concern (before consideration of management's plans, if any); (b) management's evaluation of the significance of those conditions or events in relation to the entity's ability to meet its obligations; and (c) management's plans that are intended to mitigate the conditions or events that raise substantial doubt, or that did alleviate substantial doubt, about the entity's ability to continue as a going concern. If substantial doubt has not been alleviated, these disclosures should become more extensive in subsequent reporting periods as additional information becomes available. In the period that substantial doubt no longer exists (before or after considering management's plans), management should disclose how the principal conditions and events that originally gave rise to substantial doubt have been resolved. The ASU applies prospectively to all entities for annual periods ending after December 15, 2016, and to annual and interim periods thereafter. Early adoption is permitted. The Company has not adopted the provisions of this ASU. Upon adoption, the Company will use this guidance to evaluate going concern.

Note 2 – Fair Value Measurements

ASC 820 defines fair value, establishes a framework for measuring fair value under generally accepted accounting principles and enhances disclosures about fair value measurements. Fair value is defined under ASC 820 as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value under ASC 820 must maximize the use of observable inputs and minimize the use of unobservable inputs. The standard describes a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value which are the following:

Level 1 — quoted prices in active markets for identical assets or liabilities.
Level 2 — other significant observable inputs for the assets or liabilities through corroboration with market data at the measurement date.
Level 3 — significant unobservable inputs that reflect management's best estimate of what market participants would use to price the assets or liabilities at the measurement date.

The Company categorized its cash equivalents as Level 1 fair value measurements. The Company categorized its warrants potentially settleable in cash as Level 3 fair value measurements. The warrants potentially settleable in cash are measured at fair value on a recurring basis and are being marked to fair value at each reporting date until they are completely settled or meet the requirements to be accounted for as component of stockholders' equity. The warrants are valued using the Black-Scholes option-pricing model as discussed in Note 4 below.

The following table presents a summary of fair values of assets and liabilities that are remeasured at fair value at each balance sheet date as of September 30, 2015 and December 31, 2014, and their placement within the fair value hierarchy as discussed above (in thousands):

Description	September 30, 2015	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Assets:				
Cash and cash equivalents	$ 12,413	$ 12,413	$ -	$ -
Total assets	$ 12,413	$ 12,413	$ -	$ -
Liabilities:				
Warrants potentially settleable in cash	$ 3,096	$ -	$ -	$ 3,096
Total liabilities	$ 3,096	$ -	$ -	$ 3,096

Description	December 31, 2014	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Assets:				
Cash and cash equivalents	$ 3,970	$ 3,970	$ -	$ -
Marketable securities	1,975	-	1,975	-
Total assets	$ 5,945	$ 3,970	$ 1,975	$ -
Liabilities:				
Warrants potentially settleable in cash	$ 8,464	$ -	$ -	$ 8,464
Total liabilities	$ 8,464	$ -	$ -	$ 8,464

The Company has not transferred any financial instruments into or out of Level 3 classification during the nine months ended September 30, 2015 or 2014. A reconciliation of the beginning and ending Level 3 liabilities for the nine months ended September 30, 2015 and 2014 is as follows (in thousands):

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)	
	September 30, 2015	September 30, 2014
Balance, January 1,	$ 8,464	$ 23
Change in fair value of Teva option	-	(23)
Estimated fair value of warrants assumed in merger on January 2, 2014	-	10,475
Estimated fair value of warrants issued in January 2014 common stock sale	-	3,696
Estimated fair value of warrants exchanged for common shares	(13,862)	-
Change in fair value of warrants	8,494	(6,929)
Balance at September 30, 2015 and 2014	$ 3,096	$ 7,242

Note 3 – Stockholders' equity

Preferred Stock — The Company has authorized up to 5,000,000 shares of preferred stock, $0.001 par value per share, for issuance. In connection with the Merger Agreement with Discovery, the Company issued to Discovery's security holders 1,000,000 shares of the Company's Series B Convertible Preferred Stock ("Series B"). The Series B shares automatically converted into 205,083,086 shares of the Company's common stock on March 3, 2015 as a result of the Company's shareholders approving an increase in the number of the Company's authorized common shares to 800,000,000.

In connection with the merger with RFS Pharma in November 2014, the Company created a new series of Series A Preferred Stock ("Series A"). The Series A shares automatically converted into 340,760,802 shares of the Company's common stock on March 3, 2015 as a result of the Company's shareholders approving an increase in the number of the Company's authorized common shares to 800,000,000.

Common Stock — The Company has authorized up to 800,000,000 shares of common stock, $0.001 par value per share, and had 694,374,850 shares issued and outstanding as of September 30, 2015.

On March 25, 2015, the Company entered into binding Securities Purchase Agreements with each of its directors and a number of other

accredited investors who agreed to purchase 16,304,350 shares of the Company's common stock at $0.92 per share for a total of $15,000,000. The Company's principal shareholders and two of its directors, Dr. Raymond Schinazi and Dr. Phillip Frost, each purchased $3,187,667 of common stock. As of September 30, 2015, the Company had received the $15,000,000 related to these sales of common stock.

On April 13, 2015, the Company expanded its private placement offering of common stock from $15,000,000 to $18,000,000. On April 28, 2015, the Company closed on an additional $860,000 in proceeds to a total of four accredited investors for the sale of an additional 934,805 shares. All of the securities were issued and sold in reliance upon the exemption from registration contained in Section 4(a)(2) of the Securities Act of 1933 (the "Act") and Rule 506 promulgated thereunder. These securities may not be offered or sold in the United States in the absence of an effective registration statement or exemption from the registration requirements under the Act.

In June 2015, the Company's shareholders authorized an amendment to the Company's Certificate of Incorporation effecting a reverse split in a ratio of 1 for 5, 1 for 8 and any ratio in between. However, the Company has not yet determined whether to effectuate a reverse split, and if so, when to do so and by what ratio.

Shares of common stock are reserved for future issuance as follows as of September 30, 2015 (in thousands):

	As of September 30, 2015
Options to purchase common stock	24,614
Options reserved for future issuance under the Company's 2007 Incentive Plan	77,687
Warrants to purchase common stock	8,380
Total	110,681

Note 4 – Warrants

The following is a summary of activity in the number of warrants outstanding to purchase the Company's common stock for the nine months ended September 30, 2015 (in thousands):

	Warrants accounted for as: Equity			Warrants accounted for as: Liabilities					
	January 2012 warrants	March 2013 warrants	April 2013 warrants	February 2012 warrants	August 2013 warrants	October 2013 warrants	October 2013 Series A warrants	January 2014 warrants	Total
Outstanding, January 1, 2015	650	455	1,864	1,000	10,000	200	7,100	5,500	26,769
Warrants exercised	-	-	(864)	-	(10,000)	(200)	(6,325)	(1,000)	(18,389)
Outstanding, September 30, 2015	650	455	1,000	1,000	-	-	775	4,500	8,380
Expiration date	January 11, 2016	March 1, 2016	April 25, 2018	February 28, 2016	August 26, 2023	October 18, 2018	October 24, 2023	January 16, 2024	

For the nine months ended September 30, 2015, there were a total of 18,389,000 warrants exercised. All warrants were exercised on a net exercise basis and resulted in the issuance of 8,637,000 shares of the Company's common stock during that period.

Warrants consist of warrants potentially settleable in cash, which are liability-classified warrants, and equity-classified warrants.

Warrants classified as liabilities

Liability-classified warrants consist of warrants issued in connection with equity financings in February 2012, October 2013 and January 2014. These warrants are potentially settleable in cash and were determined not to be indexed to the Company's own stock and are therefore accounted for as liabilities.

The estimated fair value of outstanding warrants accounted for as liabilities is determined at each balance sheet date. Any decrease or increase in the estimated fair value of the warrant liability since the most recent balance sheet date is recorded in the consolidated statement of comprehensive loss as changes in fair value of derivative liabilities. The fair value of the warrants classified as liabilities is estimated using the Black-Scholes option-pricing model with the following inputs as of September 30, 2015:

	February 2012 warrants	October 2013 warrants	January 2014 warrants
Strike price	$ 0.60	$ 0.50	$ 0.50
Expected term (years)	0.4	8.2	8.4
Cumulative volatility %	76%	100%	99%
Risk-free rate %	0.08%	1.86%	1.88%

The Company's expected volatility is based on a combination of implied volatilities of similar publicly traded entities given that the Company has limited history of its own observable stock price. The expected life assumption is based on the remaining contractual terms of the warrants. The risk-free rate is based on the zero coupon rates in effect at the balance sheet date. The dividend yield used in the pricing model

is zero, because the Company has no present intention to pay cash dividends.

Warrants classified as equity

Warrants that were recorded in equity at fair value upon issuance, and are not reported as liabilities on the balance sheet, are included in the above table which shows all warrants.

Note 5 – Stock-based compensation

The Company recorded approximately $738,000 and $2,049,000 of stock-based compensation related to employee and non-employee stock options for the three and nine months ended September 30, 2015 and $5,000 and $25,000 for the three and nine months ended September 30, 2014, respectively. As of September 30, 2015, there was $3,111,000 of unrecognized compensation cost related to outstanding options that is expected to be recognized as a component of the Company's operating expenses over a weighted average period of 3.2 years.

On June 29, 2015, the shareholders adopted the 2015 Equity Incentive Plan. The Plan provides for the grant of incentive stock options, qualified stock options, restricted stock awards, restricted stock units, stock appreciation rights, and performance shares or units and cash awards. Awards may be granted under the Plan to Company employees, directors and independent contractors. The Company will no longer be issuing shares under the 2007 Equity Incentive Plan.

As of September 30, 2015, there were 24,613,880 shares subject to outstanding common stock options granted under the 2007 and 2015 plans and 77,687,135 shares available for future grants. The administrator of the plan determines the times when an option may become exercisable at the time of grant. Vesting periods of options granted to date have not exceeded five years. The options generally will expire, unless previously exercised, no later than ten years from the grant date. The Company is using unissued shares for all shares issued for options

The following schedule presents activity in the Company's outstanding stock options for the nine months ended September 30, 2015 (in thousands, except per share amounts):

	Number of shares available for grant	Total options outstanding	Weighted Average Exercise Price	Aggregate Intrinsic Value
Balance at January 1, 2015	32,863	19,600	$ 0.10	$ 10,584
Increase in authorized options	50,000			
Exercised	-	(162)	0.12	
Granted	(5,220)	5,220	1.07	
Cancelled	44	(44)	0.11	
Balance at September 30, 2015	77,687	24,614	$ 0.31	$ 8,234

As of September 30, 2015 options to purchase 24,613,880 shares of common stock, with an aggregate intrinsic value of $8,234,000, were outstanding that were fully vested or expected to vest with a weighted average remaining contractual term of 5.2 years. As of September 30, 2015, options to purchase 19,917,064 shares of common stock, with an aggregate intrinsic value of $8,897,000, were exercisable with a weighted-average exercise price of $0.19 per share and a weighted-average remaining contractual term of 4.3 years. The aggregate intrinsic value of outstanding and exercisable options at September 30, 2015 was calculated based on the closing price of the Company's common stock as reported on the OTCQB markets on September 30, 2015 of $0.64 per share less the exercise price of the options. The aggregate intrinsic value is calculated based on the positive difference between the closing fair market value of the Company's common stock and the exercise price of the underlying options.

Note 6 – Net Income (Loss) per Share

The Company accounts for and discloses net income (loss) per common share in accordance with FASB ASC Topic 260, *Earnings Per Share*. Basic net income (loss) per common share is computed by dividing net income (loss) attributable to common stockholders by the weighted average number of common shares outstanding (which includes the common share equivalents of the outstanding Series B preferred shares prior to their conversion to common stock in March 2015). Diluted net income (loss) per common share is computed by dividing net income (loss) attributable to common stockholders by the weighted average number of common shares that would have been outstanding during the period assuming the issuance of common shares for all potential dilutive common shares outstanding. Potential common shares consist of shares issuable upon the exercise of stock options and warrants. Because the inclusion of potential common shares would be anti-dilutive for the three months ended September 30, 2014, and for the nine months ended September 30, 2015, diluted net loss per common share is the same as basic net loss per common share for these periods.

The following table sets forth the number of potential common shares excluded from the calculations of net income (loss) per diluted share because their inclusion would be anti-dilutive (in thousands):

	For the three months ended September 30,		For the nine months ended September 30,	
	2015	2014	2015	2014
Options to purchase common stock	24,614	3,058	24,614	3,058
Warrants to purchase common stock	-	26,669	2,805	-
Total	24,614	29,727	27,419	3,058

Note 7 – Marketable securities

In connection with the Company's sale of assets to MusclePharm in January 2014, the Company was to receive a total of 1,200,000 shares of MusclePharm common stock as consideration, 600,000 shares of which were required to be held in escrow until October 2014 to satisfy any breaches of representations under the Biozone Merger Agreement. The 600,000 shares not required to be held in escrow were sold by the Company for $5,400,000 in October 2014. On September 29, 2014, the Company signed a Memorandum of Understanding ("MOU") with MusclePharm in which it agreed to release 90,000 shares of MusclePharm stock out of the original balance of 600,000 shares held in escrow in exchange for a release from all claims which MusclePharm had made concerning assets which it acquired in its purchase of assets from the Company in January 2014. The Company recognized a net loss on the return of these MusclePharm shares of $584,000 in the year ended December 31, 2014. In October 2014, MusclePharm exercised its right to repurchase 250,000 shares of MusclePharm shares at $10.00 per share. Pursuant to the MOU, MusclePharm did not withdraw the portion of its claim that related to a then pending eviction proceeding (See note 10) and the remaining 260,000 shares were to remain in escrow pending resolution of that proceeding. However, the Company was informed that the escrow agent ultimately released all 260,000 shares to MusclePharm. While the Company intends to attempt to recover the shares or their equivalent value from MusclePharm, the ultimate recovery of the shares is highly uncertain and the Company believes a loss is probable. Accordingly, the Company recorded a full allowance against the related escrow receivable amount. To the extent the Company is able to recover the shares or other consideration from MusclePharm and/or the MusclePharm transfer agent upon resolution of this dispute, the Company would record other income at the time of such recovery.

Note 8 - Mortgage Note Receivable

In June 2014, the Company acquired a mortgage note from a bank for $2,626,290 which is collateralized by, among other things, the underlying real estate and related improvements. The property subject to the mortgage is owned by an entity managed by Daniel Fisher, one of the founders of Biozone, and is currently under lease to MusclePharm. At September 30, 2015, the carrying amount of the mortgage note receivable was $2,542,000, which consisted of $2,427,000 of principal, $90,000 of interest and $25,000 of fees paid to the selling bank. The mortgage note has a maturity date of August 1, 2032 and bears an interest rate of 7.24%. The Company records its mortgage note receivable at the amount advanced to the borrower, which includes the stated principal amount and certain loan origination and commitment fees that are recognized over the term of the mortgage note. Interest income is accrued as earned over the term of the mortgage note. The Company evaluates the collectability of both interest and principal of the note to determine whether it is impaired. The note would be considered to be impaired if, based on current information and events, the Company determined that it was probable that it would be unable to collect all amounts due according to the existing contractual terms. If the note were considered to be impaired, the amount of loss would be calculated by comparing the recorded investment to the value determined by discounting the expected future cash flows at the note's effective interest rate or to the fair value of the Company's interest in the underlying collateral, less the cost to sell. No impairment loss has been recognized in connection with the mortgage note receivable.

Note 9 – Income Taxes

Deferred income tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial reporting and tax bases of assets and liabilities and are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. A valuation allowance is provided for the amount of deferred tax assets that, based on available evidence, are not expected to be realized.

As a result of the Company's cumulative losses, management has concluded that a full valuation allowance against the Company's net deferred tax assets is appropriate. The Company has recorded a net deferred tax liability of $65,195,000 as of September 30, 2015 and December 31, 2014 as it has not considered the deferred tax liability, which is related to acquired in-process research and development, to be a future source of taxable income in evaluating the need for a valuation allowance against its deferred tax assets due to the in-process research and development asset being considered an indefinite-lived intangible asset.

FASB ASC Topic 740, *Income Taxes* ("ASC 740"), prescribes a recognition threshold and a measurement criterion for the financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be considered more likely than not to be sustained upon examination by taxing authorities. The Company records interest and penalties related to uncertain tax positions as a component of the provision for income taxes. As of September 30, 2015 and December 31, 2014, the Company had no unrecognized tax benefits.

The Company currently files income tax returns in the United States federal and various state jurisdictions. The Company is not currently under examination in any jurisdiction.

Note 10 – Contingencies

From time to time, the Company is a party to, or otherwise involved in, legal proceedings arising in the normal course of business. As of the date of this report, except as described below, the Company is not aware of any proceedings, threatened or pending, against it which, if determined adversely, would have a material effect on its business, results of operations, cash flows or financial position.

The Company was named in two legal proceedings involving Daniel Fisher.

The first proceeding was an action filed in Contra Costa County, California by the landlord, which is an entity managed by Mr. Fisher, to evict MusclePharm as a tenant from real property the Company's now inactive subsidiary, Biozone Laboratories, Inc. ("Biozone Labs") previously leased.

On March 27, 2014, the landlord filed suit in the Contra Costa County Court against the Company and Biozone Labs, as well as MusclePharm, alleging an assignment of the lease to MusclePharm in January 2014 was a violation of the lease and its provision requiring the landlord's consent for a change of control. The landlord failed to either approve or reject the proposed assignment when requested in December 2013.

On February 24, 2015, Mr. Fisher agreed to withdraw this lawsuit without prejudice in exchange for an agreement that all parties would be responsible for their own legal fees.

In the second proceeding, the Company has been named as a party to a lawsuit filed on April 15, 2014 in Contra Costa County, California by the same entity managed by Mr. Fisher. Also named in this action are two of the Company's subsidiaries – BioZone Labs and Cocrystal Discovery. The action seeks recovery on a promissory note purportedly executed by BioZone Labs in the principal amount of $295,000 in 2007, or almost seven years before the Company's acquisition of Cocrystal Discovery. Motions challenging the sufficiency of the allegations in the complaint were filed in the third quarter, 2014. The motions were granted and plaintiff was given an opportunity to amend the complaint, and plaintiff has filed an amended complaint. On July 2, 2015 the Company, along with its subsidiaries and other named defendants, filed a motion to bifurcate the action, and stay discovery on one of the causes of action. This motion was granted on August 27, 2015 and the Court limited the scope of discovery in the first phase of the case. The Court also ordered that the Company post a bond for the amount of $295,000, and the Company complied with the Order by posting the bond on September 29, 2015. This is recorded as a short-term deposit. On October 1, 2015 Plaintiff was granted leave to file a Second Amended Complaint, which was filed on the same day. The parties entered into a stipulation to extend the time for the Company to respond to the Second Amended Complaint, and the deadline for a response is November 19, 2015. On October 9, 2015 the Company filed a motion for summary adjudication seeking judgment in its favor on the first two causes of action based on the grounds that the promissory note is not valid or enforceable. The Company intends to vigorously defend the action.

On October 13, 2013, Plaintiff Shefa LMV, LLC ("Plaintiff") filed a First Amended Complaint in Los Angeles Superior Court for civil penalties and injunctive relief against numerous retailers and manufacturers of products, and alleged violations of Cal. Health & Saftey Code § 25249.6 (part of the "Safe Drinking Water and Toxic Enforcement Act") and Cal. Bus. & Prof. Code § 17200, et seq. (California's "Unfair Competition Law"). The case is captioned Shefa LMV, LLC v. Walgreens Co., et al., LASC Case No. BC520416. The complaint alleges that the retailers and manufacturers failed to place a clear and reasonable warning on the products which contained "Cocamide DEA" pursuant to the Safe Drinking Water and Toxic Enforcement Act, and further requested that the defendants be enjoined from manufacturing or selling products with Cocamide DEA in the State of California. Numerous actions that had been filed alleging similar claims against defendants who manufactured and/or sold Cocamide DEA products have been coordinated, with a new Judicial Council Coordination Proceeding Case No. JCCP 4765. On October 17, 2014, Plaintiff filed an amendment to the Complaint, adding BioZone Laboratories, Inc. a California corporation, as Doe Defendant No. 9. The Company filed an Answer to the First Amended Complaint on October 13, 2015. No discovery has taken place yet.

In October 2015, Cocrystal Pharma, Inc. received a subpoena from the staff of the Securities and Exchange Commission seeking the production of documents. The Company is fully cooperating with the inquiry. The Company cannot predict or determine whether any proceeding may be instituted in connection with the subpoena or the outcome of any proceeding that may be instituted.

Note 11 - Subsequent events

On October 1, 2015 the Board by unanimous written consent appointed Jeff Meckler as full time CEO and Dr. Douglas Mayers as Chief Medical Officer with dates of employment October 1, 2015 and September 30, 2015 respectively.

Prior to his appointment, Mr. Meckler had been serving as the Company's interim Chief Executive Officer. As previously disclosed, on September 21, 2015, the Company and Mr. Meckler entered into an employment agreement, subject to ratification by the Board, pursuant to which Mr. Meckler will receive an annual salary of $340,000 and be eligible for an annual bonus equal to up to 50% of his base salary, subject to achievement of certain performance targets. In addition, effective October 1, 2015, Mr. Meckler received a grant of 16,000,000 ten-year stock options, vesting in five equal annual increments with the first vesting date being one year from grant date, subject to continued employment on each applicable vesting date and accelerated vesting under certain conditions. Mr. Meckler's employment is on an at-will basis.

In addition, on October 1, 2015, the Board approved the appointment of Dr. Douglas Mayers as the Company's Chief Medical Officer. On September 18, 2015, the Company and Dr. Mayers entered into an employment agreement, subject to ratification by the Board, pursuant to which Dr. Mayers will receive an annual salary of $280,000 and be eligible for an annual bonus equal to up to 35% of his base salary, subject to achievement of certain performance targets. In addition, effective October 1, 2015, Dr. Mayers received a grant of 2,400,000 ten-year stock options, vesting in four equal annual increments with the first vesting date being one year from grant date, subject to continued employment on each applicable vesting date and accelerated vesting under certain conditions. Dr. Mayer's employment is on an at-will basis.

Note 12 - Transactions with Related Parties

On February 23, 2015, the Company entered into an agreement with Dr. Gary Wilcox, the Company's Chief Executive Officer, pursuant to which Dr. Wilcox agreed to terminate certain benefits under his employment agreement with the Company, entered into as of January 2, 2014. Prior to its termination, Dr. Wilcox's employment agreement had provided for a base salary, target bonus, and stock options. Dr. Wilcox will continue to serve as a Senior Advisor to the Company and as a Board Director. Dr. Wilcox was paid $29,000 in the three months and $82,000 in the nine months ended September 30, 2015, in salary and benefits for these services.

The Company leases laboratory facilities and equipment, located in Tucker, Georgia, from C.S. Family, LLC, a limited liability company that is wholly owned by Raymond F. Schinazi, Chairman. This lease was in place with RFS Pharma prior to the Company's acquisition of that entity and terminates December 31, 2016. The total rent expense was $55,000 and $165,000 for the three months and nine months ended September 30, 2015.

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

Forward-Looking Statements

Except for the historical information contained herein or incorporated by reference, this Quarterly Report on Form 10-Q contains forward-looking statements that involve risks and uncertainties. These statements include projections about our accounting and finances, plans and objectives for the future, future operating and economic performance and other statements regarding future performance. These statements are not guarantees of future performance or events. Our actual results may differ materially from those discussed here. Factors that could cause or contribute to differences in our actual results include those discussed in the following section, and those discussed in Part II, Item 7 entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" including the Risk Factors.

This Quarterly Report on Form 10-Q contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act. All statements other than statements of historical facts contained in this Quarterly Report on Form 10-Q, including statements regarding our future results of operations and financial position, business strategy, prospective products, product approvals, research and development costs, timing and likelihood of success, plans and objectives of management for future operations, and future results of current and anticipated products are forward-looking statements. These statements involve known and unknown risks, uncertainties and other important 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 the forward-looking statement. In some cases, you can identify forward-looking statements by terms such as "may," "will," "should," "expect," "plan," "anticipate," "could," "intend," "target," "project," "contemplates," "believes," "estimates," "predicts," "potential" or "continue" or the negative of these terms or other similar expressions. Although we believe the expectations reflected in these forward-looking statements are reasonable, such statements are inherently subject to risk and we can give no assurances that our expectations will prove to be correct. Given these risks, uncertainties and other factors, you should not place undue reliance on these forward-looking statements, which speak only as of the date of this Quarterly Report on Form 10-Q. You should read this Quarterly Report on Form 10-Q completely. As a result of many factors, including without limitation those set forth under "Risk Factors" under Item 1A of Part II below, and elsewhere in this Quarterly Report on Form 10-Q, our actual results may differ materially from those anticipated in these forward-looking statements. Except as required by applicable law, we undertake no obligation to update these forward-looking statements to reflect events or circumstances after the date of this report or to reflect actual outcomes. For all forward-looking statements, we claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995.

Unless the context requires otherwise, references in this Quarterly Report on Form 10-Q to "Cocrystal," "we," "us" and "our" refer to Cocrystal Pharma, Inc.

Overview

Cocrystal is a biotechnology company working to develop novel medicines for use in the treatment of human viral diseases. Cocrystal has developed proprietary structure-based drug design technology and antiviral nucleoside chemistry to create first-in-class and best-in-class antiviral drug candidates. Our focus is to pursue the development and commercialization of broad-spectrum antiviral drug candidates that will transform the treatment and prophylaxis of hepatitis C, Norovirus, and influenza. By concentrating our research and development efforts on viral replication inhibitors, we plan to leverage our infrastructure and expertise in these areas.

With respect to Cocrystal's current programs in development, the status as of the date of this filing is:

Influenza. There has been continued progress on our goal of nominating a lead compound into IND-enabling studies. Current potential leads have nanomolar broad activity against influenza A strains including: H1N1, H2N2, H3N2, H5N1, H7N9. The company anticipates being able to initiate these studies in 2016.

Norovirus. Cocrystal is continuing to identify and develop both nucleoside and non-nucleoside norovirus polymerase inhibitors in preclinical development.

CC-31244 (HCV Non-Nucleoside Polymerase Inhibitor - NNI). IND enabling studies are proceeding with the expected first-in-human studies in 2016. The preclinical safety profile and antiviral activity of this potential best-in-class pan-genotypic HCV NNI suggests that this compound may be an important component of an all-oral, short duration HCV regimens.

CC-1845 (HCV Nucleotide Polymerase Inhibitor). The company is working out scalable chemistry for CC-1845 nucleotide diastereomer separation and will focus on developing the single diastereomer with the best product profile for potential clinical advancement. This will extend the preclinical timeline. Back up nucleoside analogs are also being developed towards an IND.

CC-2068 (HCV NS5A Inhibitor). The company is awaiting further data regarding a series of additional NS5A compounds in its library that display a significantly improved pan-genotypic potency and resistance profile.

Results of Operations for the Three and Nine Months Ended September 30, 2015 compared to the Three and Nine Months Ended September 30, 2014

Revenue

As stated above, we are focused on research and development of novel medicines for use in the treatment of human viral diseases. We had $24,000 and $0 in grant revenue for our collaboration with the University of Mississippi on an R01 grant from the National Center of Complementary and Alternative Medicine for the three months ended September 30, 2015 and 2014 and $78,000 and $0 for the nine months ended September 30, 2015 and 2014.

Research and Development Expense

Research and development expense consists primarily of compensation-related costs for our employees dedicated to research and development activities and for our Scientific Advisory Board members, as well as lab supplies, lab services, and facilities and equipment costs. We expect research and development expenses to increase in future periods as we expand our pre-clinical development activities.

Total research and development expenses were $2,177,000 for the three months ended September 30, 2015, compared with $866,000 for the three months ended September 30, 2014. The increase of $1,311,000, or 151%, was due to a $351,000 increase in personnel costs primarily due to the merger with RFS Pharma, which occurred in November 2014, and an increase of $145,000 in consulting costs, a $703,000 increase in lab supply and services costs, due primarily to higher manufacturing and pharmacological/toxicological studies, and an increase of $112,000 in other operating expenses.

Total research and development expenses were $5,751,000 for the nine months ended September 30, 2015, compared with $2,722,000 for the nine months ended September 30, 2014. The increase of $3,029,000, or 111%, was due to a $655,000 increase in personnel costs due to the merger with RFS Pharma, which occurred in November 2014, a $1,730,000 increase in lab supply and services due primarily to higher manufacturing and pharmacological/toxicological studies, an increase of $428,000 in patent costs and other professional services, and a $216,000 increase in other operating costs.

General and Administrative Expense

General and administrative expense includes compensation-related costs for our employees dedicated to general and administrative activities, legal fees, audit and tax fees, consultants and professional services, and general corporate expenses.

General and administrative expenses were $1,437,000 for the three months ended September 30, 2015, compared with $353,000 for the three months ended September 30, 2014. The increase of $1,084,000, or 307%, was due to a $802,000 increase in compensation-related costs (primarily $569,000 in non-cash stock option expenses), a $222,000 increase in accounting, legal and other professional services primarily related to being a public company, and a $60,000 increase in travel, insurance and other costs.

General and administrative expenses were $3,902,000 for the nine months ended September 30, 2015, compared with $1,417,000 for the nine months ended September 30, 2014. The increase of $2,485,000, or 175%, was due to a $2,153,000 increase in compensation-related costs (including $1,789,000 in non-cash stock option expenses and $364,000 in other payroll costs due to additional personnel), a $207,000 increase in accounting, financing, and legal and other professional services, and a $125,000 increase in insurance, travel, and other costs.

Interest Income/Expense

Interest income was $45,000 and $134,000 for the three months and nine months ended September 30, 2015, and was $50,000 for the three and nine months ended September 30, 2014, respectively, which represents interest earned on the mortgage note we acquired in June 2014. The key objectives of our investment policy are to preserve principal and ensure sufficient liquidity, so our invested cash may not earn as high a level of income as longer-term or higher risk securities, which generally have less liquidity and more volatility.

Other Income (Expense), net

Other income (expense), net was $3,036,000 and ($8,494,000) for the three and nine months ended September 30, 2015, respectively. Other income (expense) consists primarily of the change in fair value of the outstanding warrants to purchase our common stock that are accounted for as liabilities. Under accounting principles generally accepted in the United States, we record other income or expense for the change in fair value of our outstanding warrants that are accounted for as liabilities during each reporting period. The fair value of our outstanding warrants is inversely related to the fair value of the underlying common stock; as such, a decrease in the fair value of our common stock during a given period generally results in other income, which occurred during the three months ended September 30, 2015, while an increase in the fair value of our common stock, which occurred during the nine months ended September 30, 2015, generally results in other expense. We recorded other expense of ($792,000) and other income of $6,952,000 for the three and nine months ended September 30, 2014, respectively. This other income or expense is non-cash and also relates primarily to the change in fair value of our warrants that are accounted for as liabilities. We believe investors should focus on our operating loss rather than net income or loss for the periods presented.

In addition, we recorded a $1,686,000 loss related to our investment in MusclePharm common stock in the nine months ended September 30, 2015. This loss is related to the escrowed MusclePharm shares as explained in Note 7 to the condensed consolidated financial statements.

Income Taxes

As a result of our cumulative losses, we have concluded that a full valuation allowance against our net deferred tax assets is appropriate. We have recorded a net deferred tax liability of $65,195,000 as of September 30, 2015 and December 31, 2014 as we have not considered the deferred tax liability, which is related to acquired in-process research and development, to be a future source of taxable income in evaluating the need for a valuation allowance against our deferred tax assets due to the in-process research and development asset being considered an indefinite-lived intangible.

Net Income (Loss)

As a result of the above factors, for the three and nine months ended September 30, 2015, we had a net loss of $508,000 and $19,673,000 compared to a net loss of $2,549,000 for the three months ended September 30, 2014 and net income of $1,808,000 for the nine months ended September 30, 2014. The decrease in net loss for the three months ended September 30, 2015 compared to the same period in 2014 is primarily attributable to other income resulting from the decrease in fair value of our warrant liabilities. The increase in net loss for the nine months ended September 30, 2015, compared to the same period in 2014 is also primarily attributable to the increase in fair value of our warrant liabilities. We believe investors should focus on our operating loss rather than net income or loss for the periods presented.

Our operating loss, which does not include the change in the value of derivative liabilities and the loss on marketable securities, for the three and nine months ended September 30, 2015 was $3,858,000 and $9,843,000, respectively, compared to $1,219,000 and $4,139,000 for the same periods in 2014.

Liquidity and Capital Resources

Net cash used in operating activities was $7,277,000 and $4,257,000 for the nine months ended September 30, 2015 and 2014, respectively. Our cash used in operating activities increased from 2014 to 2015 due to increases in headcount in both research and development and in administration as we continue to work developing our product candidates.

Net cash used for investing activities was $162,000 for the nine months ended September 30, 2015, consisting of $217,000 in purchases of fixed assets offset by $55,000 in principal payments received on our mortgage note compared to $3,364,000 net cash provided by investing activities for the same period in 2014, which consisted primarily of $5,400,000 in cash received from the sale of marketable securities and $589,000 of cash acquired from Biozone in connection with our reverse merger with Biozone, net of the $2,626,000 used in the acquisition of a mortgage note receivable.

Net cash provided by financing activities was $15,882,000 for the nine months ended September 30, 2015 compared to cash provided by financing activities of $2,865,000 for the same period in 2014. Net cash provided by financing activities for the nine months ended September 30, 2015 consisted of $15,862,000 in proceeds from a private placement of our common stock and $20,000 from the proceeds from the exercise of stock options. For the nine months ended September 30, 2014, cash provided by financing activities was a result of our sale of common stock and warrants, which resulted in proceeds of $2,750,000, and proceeds from the exercise of stock options of $115,000.

The Company has no products approved for sale, has not generated any revenues to date from product sales, and has incurred significant operating losses since inception. The Company has never been profitable and incurred losses from operations of $5.8 million and $4.1 million in the years ended December 31, 2014 and 2013, respectively. Our loss from operations for the nine months ended September 30, 2014 was $9,575,000. The Company believes that its cash on hand of $11 million as of November 13, 2015, will be sufficient to allow the Company to fund its current operating plan for at least the next 12 months. As the Company continues to incur losses, achieving profitability is dependent upon the successful development, approval and commercialization of its product candidates, and achieving a level of revenues adequate to support the Company's cost structure. The Company may never achieve profitability, and unless and until it does, the Company will continue to need to raise additional capital. Management intends to fund future operations through additional private or public equity offering and may seek additional capital through arrangements with strategic partners or from other sources. There can be no assurances, however, that additional funding will be available on terms acceptable to the Company, or at all. Any equity financing may be very dilutive to existing shareholders. If the Company is not able to secure adequate additional funding, the Company may be forced to make reductions in spending, extend payment terms with suppliers, and/or suspend or curtail planned programs. Any of these actions could materially harm the Company's business, results of operations, financial condition and future prospects.

Recent Accounting Pronouncements

In August 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-15, *Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern* (ASU 2014-15). ASU 2014-15 requires management to determine whether substantial doubt exists regarding the entity's going concern presumption, which generally refers to an entity's ability to meet its obligations as they become due. If substantial doubt exists but is not alleviated by management's plan, the footnotes must specifically state that "there is substantial doubt about the entity's ability to continue as a going concern within one year after the financial statements are issued". In addition, if substantial doubt exists, regardless of whether such doubt was alleviated, entities must disclose (a) principal conditions or events that raise substantial doubt about the entity's ability to continue as a going concern (before consideration of management's plans, if any); (b) management's evaluation of the significance of those conditions or events in relation to the entity's ability to meet its obligations; and (c) management's plans that are intended to mitigate the conditions or events that raise substantial doubt, or that did alleviate substantial doubt, about the entity's ability to continue as a going concern. If substantial doubt has not been alleviated, these disclosures should become more extensive in subsequent reporting periods as additional information becomes available. In the period that substantial doubt no longer exists (before or after considering management's plans), management should disclose how the principal conditions and events that originally gave rise to substantial doubt have been resolved. The ASU applies prospectively to all entities for annual periods ending after December 15, 2016, and to annual and interim periods thereafter. Early adoption is permitted. We have not adopted the provisions of this ASU. Upon adoption, we will use this guidance to evaluate going concern.

Critical Accounting Policies and Estimates

In our Annual Report on Form 10-K for the year ended December 31, 2014, we disclosed our critical accounting policies and estimates upon which our financial statements are derived. There have been no changes to these policies since December 31, 2014. Readers are encouraged to review these disclosures in conjunction with the review of this report.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Not applicable to smaller reporting companies.

ITEM 4. CONTROLS AND PROCEDURES

We maintain disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act that are designed to ensure that information required to be disclosed in our reports filed or submitted to the SEC under the Exchange Act is recorded, processed, summarized and reported within the time periods specified by the SEC's rules and forms, and that information is accumulated and communicated to management, including the principal executive and former financial officer as appropriate, to allow timely decisions regarding required disclosures. Our principal executive officer and principal financial officer evaluated the effectiveness of disclosure controls and procedures as of September 30, 2015, pursuant to Rule 13a-15(b) under the Exchange Act. Based on that evaluation, our principal executive officer and former principal financial officer concluded that, as of the end of the period covered by this report, the Company's disclosure controls and procedures were not effective to ensure that information required to be included in our periodic SEC filings is recorded, processed, summarized, and reported within the time periods specified in the SEC rules and forms. We have concluded that our disclosure controls and procedures are not effective.

Cocrystal did not maintain an effective financial reporting process to prepare financial statements in accordance with U.S. GAAP. Specifically, our process lacked timely and complete financial statement reviews and procedures to ensure all required disclosures were made in our financial statements. Also, Cocrystal lacked documented procedures including documentation related to testing of internal controls and entity-level controls, disclosure review, and other analytics. Furthermore, Cocrystal lacked sufficient personnel to properly segregate duties.

Remediation Plan

Management is developing a remediation plan to address the material weakness. We are in the process of enhancing our procedures in the financial reporting process, including enhanced review processes, to ensure that all required disclosures are made in our financial statements. Due to our stock price at June 30, 2015, we will be an accelerated filer effective with the Form 10-K for the year ending December 31, 2015 and required to have an audit of our internal controls. We have engaged a third-party consultant to assist us in documenting our significant processes, as well as key controls over those processes, and to implement plans to evaluate their operating effectiveness. We also plan to further analyze our segregation of duties and implement enhancements to our controls to ensure duties are segregated to the extent practicable. As part of these efforts, we have hired a full-time Controller. As of November 14, 2015, we have not yet completed these remediation efforts. We believe the foregoing efforts will effectively remediate the material weakness. As we continue to evaluate and work to improve our internal control over financial reporting, we may execute additional measures to address potential control deficiencies or modify the remediation plan described above. We will continue to review and make necessary changes to the overall design of our internal control.

Changes in Internal Control over Financial Reporting

No changes were made to our internal control over financial reporting during our most recently completed fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II — OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

From time to time, the Company is a party to, or otherwise involved in, legal proceedings arising in the normal course of business. As of the date of this report, except as described below, the Company is not aware of any proceedings, threatened or pending, against it which, if determined adversely, would have a material effect on its business, results of operations, cash flows or financial position.

The Company was named in two legal proceedings involving Daniel Fisher.

The first proceeding was an action filed in Contra Costa County, California by the landlord, which is an entity managed by Mr. Fisher, to evict MusclePharm as a tenant from real property the Company's now inactive subsidiary, Biozone Laboratories, Inc. ("Biozone Labs") previously leased.

On March 27, 2014, the landlord filed suit in the Contra Costa County Court against the Company and Biozone Labs, as well as MusclePharm, alleging an assignment of the lease to MusclePharm in January 2014 was a violation of the lease and its provision requiring the landlord's consent for a change of control. The landlord failed to either approve or reject the proposed assignment when requested in December 2013.

On February 24, 2015, Mr. Fisher agreed to withdraw this lawsuit without prejudice in exchange for an agreement that all parties would be responsible for their own legal fees.

In the second proceeding, the Company has been named as a party to a lawsuit filed on April 15, 2014 in Contra Costa County, California by the same entity managed by Mr. Fisher. Also named in this action are two of the Company's subsidiaries – BioZone Labs and Cocrystal Discovery. The action seeks recovery on a promissory note purportedly executed by BioZone Labs in the principal amount of $295,000 in 2007, or almost seven years before the Company's acquisition of Cocrystal Discovery. Motions challenging the sufficiency of the allegations in the complaint were filed in the third quarter, 2014. The motions were granted and plaintiff was given an opportunity to amend the complaint, and plaintiff has filed an amended complaint. On July 2, 2015 the Company, along with its subsidiaries and other named defendants, filed a motion to bifurcate the action, and stay discovery on one of the causes of action. This motion was granted on August 27, 2015 and the Court limited the scope of discovery in the first phase of the case. The Court also ordered that the Company post a bond for the amount of $295,000, and the Company complied with the Order by posting the bond on September 29, 2015. This is recorded as a short-term deposit. On October 1, 2015 Plaintiff was granted leave to file a Second Amended Complaint, which was filed on the same day. The parties entered into a stipulation to extend the time for the Company to respond to the Second Amended Complaint, and the deadline for a response is November 19, 2015. On October 9, 2015 the Company filed a motion for summary adjudication seeking judgment in its favor on the first two causes of action based on the grounds that the promissory note is not valid or enforceable. The Company intends to vigorously defend the action.

On October 13, 2013, Plaintiff Shefa LMV, LLC ("Plaintiff") filed a First Amended Complaint in Los Angeles Superior Court for civil penalties and injunctive relief against numerous retailers and manufacturers of products, and alleged violations of Cal. Health & Saftey Code § 25249.6 (part of the "Safe Drinking Water and Toxic Enforcement Act") and Cal. Bus. & Prof. Code § 17200, et seq. (California's "Unfair Competition Law"). The case is captioned Shefa LMV, LLC v. Walgreens Co., et al., LASC Case No. BC520416. The complaint alleges that the retailers and manufacturers failed to place a clear and reasonable warning on the products which contained "Cocamide DEA" pursuant to the Safe Drinking Water and Toxic Enforcement Act, and further requested that the defendants be enjoined from manufacturing or selling products with Cocamide DEA in the State of California. Numerous actions that had been filed alleging similar claims against defendants who manufactured and/or sold Cocamide DEA products have been coordinated, with a new Judicial Council Coordination Proceeding Case No. JCCP 4765. On October 17, 2014, Plaintiff filed an amendment to the Complaint, adding BioZone Laboratories, Inc. a California corporation, as Doe Defendant No. 9. The Company filed an Answer to the First Amended Complaint on October 13, 2015. No discovery has taken place yet.

In October 2015, Cocrystal Pharma, Inc. received a subpoena from the staff of the Securities and Exchange Commission seeking the production of documents. The Company is fully cooperating with the inquiry. The Company cannot predict or determine whether any proceeding may be instituted in connection with the subpoena or the outcome of any proceeding that may be instituted.

ITEM 1.A RISK FACTORS

Not applicable to smaller reporting companies.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

As previously disclosed in an 8-K filed on March 26, 2015, on March 25, 2015, the Company accepted subscription agreements representing investor commitments totaling $15,000,000 in a private placement offering (the "Offering") of 16,304,350 shares of the Company's common stock at a purchase price of $0.92 per share.

Certain existing holders of the Company's common stock were entitled to rights of first refusal to participate in the Offering under the terms of various agreements with the Company to which they were parties. On April 20, 2015, the Company accepted subscription agreements from four existing shareholders totaling $860,020 for 934,804 shares of the Company's common stock at a purchase price of $0.92 per share.

All of the securities were issued and sold in reliance upon the exemption from registration contained in Section 4(a)(2) of the Securities Act of 1933 (the "Act") and Rule 506 promulgated thereunder.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None

ITEM 4. MINE SAFETY DISCLOSURES

Not Applicable

ITEM 5. OTHER

None

ITEM 6. EXHIBITS

The exhibits listed in the accompanying “Index to Exhibits” are filed or incorporated by reference as part of this Form 10-Q.

SIGNATURES

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

Cocrystal Pharma, Inc.

Dated: November 16, 2015

By: /s/ Jeffrey Meckler
Jeffrey Meckler
Chief Executive Officer
(Principal Executive Officer)

Dated: November 16, 2015

By: /s/ Gerald McGuire
Gerald McGuire
Chief Financial Officer
(Principal Financial Officer)

EXHIBIT INDEX

Exhibit No.	Exhibit Description	Incorporated by Reference			Filed or Furnished Herewith
		Form	Date	Number	
10.1	Walt Linscott Employment Agreement*	8-K	7/27/15	10.1	
10.2	Walt Linscott Stock Option Agreement*	8-K	7/27/15	10.2	
10.3	Jeffrey Meckler Employment Agreement*	8-K	9/24/15	10.1	
10.4	Douglas Mayers Employment Agreement*	8-K	9/24/15	10.2	
31.1	Certification of Principal Executive Officer (302)				Filed
31.2	Certification of Principal Financial Officer (302)				Filed
32.1	Certification of Principal Executive and Principal Financial Officer (906)				Furnished**
101.INS	XBRL Instance Document				Filed
101.SCH	XBRL Taxonomy Extension Schema Document				Filed
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document				Filed
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document				Filed
101.LAB	XBRL Taxonomy Extension Label Linkbase Document				Filed
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document				Filed

* Management contract or compensatory plan or arrangement
** This exhibit is being furnished rather than filed and shall not be deemed incorporated by reference into any filing, in accordance with Item 601 of Regulation S-K.

Copies of this report (including the financial statements) and any of the exhibits referred to above will be furnished at no cost to our shareholders who make a written request to our Corporate Secretary at Cocrystal Pharma, Inc., 19805 North Creek Parkway, Bothell, Washington, 98011.

Exhibit 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

I, Jeffrey Meckler, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Cocrystal Pharma, 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: November 16, 2015

/s/ Jeffrey Meckler
Jeffrey Meckler
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

I, Gerald McGuire, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Cocrystal Pharma, 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: November 16, 2015

/s/ Gerald McGuire
Gerald McGuire
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 Cocrystal Pharma, Inc. (the "Company") on Form 10-Q for the quarter ended September 30, 2015, as filed with the Securities and Exchange Commission on the date hereof, I, Jeffrey Meckler, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

1. The quarterly report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and

2. The information contained in the quarterly report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Jeffrey Meckler
Jeffrey Meckler
Chief Executive Officer
(Principal Executive Officer)

Dated: November 16, 2015

In connection with the quarterly report of Cocrystal Pharma, Inc. (the "Company") on Form 10-Q for the quarter ended September 30, 2015, as filed with the Securities and Exchange Commission on the date hereof, I, Gerald McGuire, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

1. The quarterly report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and

2. The information contained in the quarterly report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Gerald McGuire
Gerald McGuire
Chief Financial Officer
(Principal Financial Officer)

Dated: November 16, 2015