

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

FORM 10-Q /A

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

For the quarterly period ended March 31, 2014

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

(State or Other Jurisdiction of Incorporation or Organization)

20-578559

(I.R.S. Employer Identification No.)

19805 North Creek Parkway

Bothell, Washington

(Address of Principal Executive Offices)

98011

(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 May 8, 2014, the number of outstanding shares of the registrant's common stock, par value \$0.001 per share, was 121,645,087.

EXPLANATORY NOTE TO 10-Q/A

This Amendment No. 1 (“Amendment No. 1”) amends the Quarterly Report on Form 10-Q of Cocrystal Pharma, Inc. (the “Company”) for the quarter ended March 31, 2014, originally filed with the Securities and Exchange Commission (the “SEC”) on May 15, 2014 (the “Original Filing”). The Company is filing this Amendment No. 1 solely to correct the inadvertent omission of the Chief Financial Officer’s certification pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

Except as described above, no other amendments are being made to the Original Filing. This Amendment No.1 does not reflect events occurring after the filing of the Original Filing or modify or update the disclosure contained therein in any way other than as required to reflect the amendments discussed above.

COCRYSTAL PHARMA, INC.

FORM 10-Q FOR THE QUARTER ENDED MARCH 31, 2014

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Part I – FINANCIAL INFORMATION

Cocrystal Pharma, Inc.
(a development stage company)
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands)

| | March 31, 2014 <u>(unaudited)</u> | December 31, 2013 <u></u> |
|---|---|------------------------------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 2,599 | \$ 1,034 |
| Marketable securities | 7,285 | |
| Prepaid and other current assets | 153 | 139 |
| Total current assets | <u>10,037</u> | <u>1,173</u> |
| Property and equipment, net | 412 | 469 |
| Deposits | 32 | 19 |
| Total assets | <u>\$ 10,481</u> | <u>\$ 1,661</u> |
| Liabilities and stockholders' equity (deficit) | | |
| Current liabilities: | | |
| Accounts payable | 289 | 224 |
| Accrued expenses | 177 | 139 |
| Derivative liabilities | 12,089 | 23 |
| Total current liabilities | <u>12,555</u> | <u>386</u> |
| Total liabilities | <u>12,555</u> | <u>386</u> |
| Commitments and contingencies | | |
| Series A convertible preferred stock, \$.0001 par value, 7,150 shares authorized; 0 and 7,046 shares issued and outstanding at March 31, 2014 and December 31, 2013, respectively; liquidation preference of \$14,000 as of December 31, 2013 | - | 10,108 |
| Stockholders' equity (deficit): | | |
| Series B convertible preferred stock, \$.001 par value: 5,000 shares authorized, 1,000 and 279 shares issued and outstanding at March 31, 2014 and December 31, 2013, respectively | 1 | - |
| Common stock, \$.001 par value: 200,000 and 262,186 shares authorized, 121,580 and 0 shares issued and outstanding at March 31, 2014 and December 31, 2013, respectively | 122 | - |
| Additional paid-in capital | 11,961 | 3,502 |
| Accumulated other comprehensive loss | (1,451) | - |
| Deficit accumulated during the development stage | (12,707) | (12,335) |
| Total stockholders' equity (deficit) | <u>(2,074)</u> | <u>(8,833)</u> |
| Total liabilities and stockholders' equity (deficit) | <u>\$ 10,481</u> | <u>\$ 1,661</u> |

Cocrystal Pharma, Inc.
(a development stage company)
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(unaudited)
(in thousands)

| | Three months ended March 31, | | Period from January 7, 2007 (Inception) to March 31, 2014 |
|--|---------------------------------|--------------------------|--|
| | 2014 | 2013 | 2014 |
| Revenues | \$ - | \$ - | \$ 733 |
| Operating expenses | | | |
| Research and Development | 967 | 1,005 | 16,469 |
| General and Administrative | 565 | 53 | 2,343 |
| Total operating expenses | <u>(1,532)</u> | <u>1,058</u> | <u>18,812</u> |
| Loss from operations | <u>(1,532)</u> | <u>(1,058)</u> | <u>(18,079)</u> |
| Interest income | - | - | 40 |
| Other income | - | - | 9 |
| Interest expense | - | - | (2) |
| Fair value of warrant liabilities in excess of proceeds from financing | (946) | - | (946) |
| Change in fair value of derivative liabilities | 2,106 | - | 6,271 |
| Total other income, net | <u>1,160</u> | <u>-</u> | <u>5,372</u> |
| Net loss | <u><u>(372)</u></u> | <u><u>(1,058)</u></u> | <u><u>(12,707)</u></u> |
| Comprehensive loss: | | | |
| Net loss | \$ (372) | \$ (1,058) | \$ (12,707) |
| Unrealized loss on marketable securities | (1,451) | - | - |
| Total comprehensive loss | <u><u>\$ (1,823)</u></u> | <u><u>\$ (1,058)</u></u> | <u><u>\$ (12,707)</u></u> |
| Net loss per common share: | | | |
| Basic loss per share | \$ (0.00) | \$ (0.02) | |
| Weighted average common shares outstanding, basic | 324,471 | 57,255 | |
| Diluted loss per share | \$ (0.00) | \$ (0.02) | |
| Weighted average common shares outstanding, diluted | 324,471 | 57,255 | |

Cocrystal Pharma, Inc.
(a development stage company)
CONDENSED CONSOLIDATED STATEMENTS OF CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS'
EQUITY (DEFICIT)
(unaudited)
(in thousands)

| | Series A Convertible Preferred Stock | | Series B Convertible Preferred Stock | | Common Stock | | Additional Paid-in Capital | Accumulated other comprehensive loss | Deficit Accumulated During the Development Stage | Total Stockholders' Equity (Deficit) |
|--|--|-------------|--|-------------|----------------|---------------|----------------------------------|---|--|---|
| | Shares | Amount | Shares | Amount | Shares | Amount | | | | |
| Balance as of December 31, 2013 | 7,046 | \$ 10,108 | 279 | \$ - | | \$ - | 3,502 | \$ - | (12,335) | \$ (8,833) |
| Conversion of Series A Convertible Preferred Stock | (7,046) | (10,108) | 721 | 1 | | | 10,107 | | | 10,108 |
| Merger between Biozone Pharmaceuticals, Inc. and Cocrystal Discovery, Inc. | | | | | 115,907 | 116 | (1,672) | | | (1,556) |
| Exercise of common stock options | | | | | 175 | | 19 | | | 19 |
| Stock-based compensation | | | | | | | 11 | | | 11 |
| Issuance of common stock and warrants in January 2014 | | | | | 5,500 | 6 | (6) | | | - |
| Unrealized loss on marketable securities | | | | | | | | (1,451) | | (1,451) |
| Net loss | | | | | | | | | (372) | (372) |
| Balance as of March 31, 2014 | <u>-</u> | <u>\$ -</u> | <u>1,000</u> | <u>\$ 1</u> | <u>121,582</u> | <u>\$ 122</u> | <u>\$ 11,961</u> | <u>\$ (1,451)</u> | <u>\$ (12,707)</u> | <u>\$ (2,074)</u> |

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

| | Three months ended March 31, | | Period from January 9, 2007 (inception) to March 31, |
|---|---------------------------------|------------|--|
| | 2014 | 2013 | 2014 |
| Operating activities: | | | |
| Net loss | \$ (372) | \$ (1,058) | \$ (12,707) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | | |
| Depreciation | 57 | 60 | 793 |
| Stock based compensation | 11 | 18 | 363 |
| Fair value of warrant liabilities in excess of proceeds from financing | 946 | - | 946 |
| Change in fair value of derivative liabilities | (2,106) | - | (6,271) |
| Changes in operating assets and liabilities, net of effects of reverse merger with Biozone Pharmaceuticals, Inc.: | | | |
| Prepaid expenses and other current assets | (10) | 27 | (166) |
| Accounts payable and accrued expenses | (306) | 1 | 57 |
| Net cash used in operating activities | (1,780) | (952) | (16,985) |
| Investing activities: | | | |
| Capital expenditures | - | - | (1,204) |
| Cash acquired in reverse merger with Biozone Pharmaceuticals, Inc. | 589 | - | 589 |
| Long term deposits | (13) | - | (13) |
| Net cash provided by (used in) investing activities | 576 | - | (628) |
| Financing activities: | | | |
| Proceeds from issuance of Series A preferred stock, net of issuance costs | - | - | 10,108 |
| Proceeds from issuance of common stock and options to Teva, net of issuance costs | - | - | 7,328 |
| Proceeds from exercise of stock options | 19 | 4 | 26 |
| Proceeds from issuance of common stock and warrants | 2,750 | - | 2,750 |
| Net cash provided by financing activities | 2,769 | 4 | 20,212 |
| Net increase (decrease) in cash and cash equivalents | 1,565 | (948) | 2,599 |
| Cash and cash equivalents at beginning of period | 1,034 | 4,717 | - |
| Cash and cash equivalents at end of period | \$ 2,599 | \$ 3,769 | \$ 2,599 |

SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:

| | | |
|--|------------|------------|
| Unrealized loss on marketable securities | \$ (1,451) | \$ (1,451) |
| Assets acquired and liabilities assumed in reverse merger with Biozone Pharmaceuticals, Inc. | | |
| Prepaid expenses and other current assets | \$ 3 | \$ 3 |
| Marketable securities | 8,737 | 8,737 |
| Accounts payable and accrued expenses | 410 | 410 |
| Derivative liabilities | 10,475 | 10,475 |

Cocrystal Pharma, Inc.
Notes to the Consolidated Financial Statements
March 31, 2014
(unaudited)

Note 1- Organization and Significant Accounting Policies

Overview

On January 2, 2014, Biozone Pharmaceuticals, Inc. merged with Cocrystal Discovery, Inc (as further described below). The Company was previously incorporated in Nevada under the name Biozone Pharmaceuticals, Inc. ("Biozone"). On March 18, 2014, the Company reincorporated in Delaware under the name Cocrystal Pharma, Inc. ("we", the "Company", or "Cocrystal").

Our primary business going forward is to develop novel medicines for use in the treatment of human viral diseases. Cocrystal has been developing novel technologies and approaches to create first-in-class and best-in-class antiviral drug candidates since its initial funding in 2008. Subsequent funding was provided to Cocrystal Discovery, Inc. ("Cocrystal Discovery") by Teva Pharmaceuticals Industries, Ltd., or Teva, in 2011. Our focus is to pursue the development and commercialization of broad-spectrum antiviral drug candidates that will transform the treatment and prophylaxis of viral diseases in humans. By concentrating our research and development efforts on viral replication inhibitors, we plan to leverage our infrastructure and expertise in these areas.

Effective January 2, 2014, Biozone, Biozone Acquisitions Co., Inc., a wholly-owned subsidiary of Biozone (the "Merger Sub"), and Cocrystal Discovery entered into and closed an Agreement and Plan of Merger (the "Merger Agreement"). Pursuant to the Merger Agreement, Merger Sub merged with and into Cocrystal Discovery (the "Merger"), with Cocrystal Discovery continuing as the surviving corporation and a wholly-owned subsidiary of Biozone. Cocrystal Discovery is considered the accounting acquirer as its shareholders own 60% of the combined entity after the Merger. In connection with the Merger agreement, all of the Company's shares of Series A preferred stock were first converted to common stock, and Biozone then issued to Cocrystal Discovery's security holders a total of 1,000,000 shares of the Company's Series B Convertible Preferred Stock ("Series B") (at a ratio of 0.07454 Series B stock for each common share of Cocrystal Discovery). The Series B shares: (i) automatically convert into shares of the Company's common stock at a rate of 205.08308640 shares for each share of Series B at such time that the Company has sufficient authorized capital, (ii) are entitled to vote on all matters submitted to shareholders of the Company and vote on an as converted basis and (iii) have a nominal liquidation preference. Additionally, the Company assumed all of the outstanding stock options under the Cocrystal Discovery 2007 Equity Incentive Plan. Subsequent to the Merger, Biozone changed its name to Cocrystal Pharma, Inc.

The Merger is being treated as a reverse merger and recapitalization effected by a share exchange for financial accounting and reporting purposes since substantially all of Biozone's operations were disposed of immediately prior to the consummation of the Merger as reported on a Form 8-K filed by Biozone on January 2, 2014. Cocrystal Discovery is treated as the accounting acquirer as its shareholders control the Company after the Merger, even though Biozone was the legal acquirer. As a result, the assets and liabilities and the historical operations that are reflected in these financial statements are those of Cocrystal Discovery as if Cocrystal Discovery had always been the reporting company and, on the Merger date, changed its name and reorganized its capital stock. Since Biozone had no operations upon the Merger taking place, the transaction was treated as a recapitalization for accounting purposes and no goodwill or other intangible assets were recorded by the Company as a result of the Merger. Historical common stock amounts and additional paid-in capital have been retroactively adjusted using the exchange ratio of 0.07454 Series B shares for each one common share of Cocrystal Discovery.

The Company's activities since inception have consisted principally of acquiring product and technology rights, raising capital, and performing research and development. Accordingly, the Company is considered to be in the development stage as of March 31, 2014, as defined by guidance issued by the Financial Accounting Standards Board ("FASB"). 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 March 31, 2014, the Company has funded its operations through equity offerings, private placements of convertible debt and debt financings.

As of March 31, 2014, the Company had a deficit accumulated during the development stage of \$12.7 million. During the three month period ended March 31, 2014, the Company incurred a net loss of \$0.4 million and a loss from operations of \$1.5 million. Cash used in operating activities was approximately \$1.8 million for the three months ended March 31, 2014. The Company expects to continue to incur substantial losses and negative cash flows from operations over the next several years during its clinical development phase. As of the date of this report, the Company anticipates its existing cash, cash equivalents, and marketable securities are sufficient to fund its near term liquidity needs for at least the next 12 months.

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To fully execute its business plan, the Company will need to complete certain research and development activities and clinical studies. Further, the Company's product candidates will require regulatory approval prior to commercialization. These activities may span many years and require substantial expenditures to complete and may ultimately be unsuccessful. Any delays in completing these activities could adversely impact the Company. The Company will need substantial additional financing to conduct new trials in the development of any of its product candidates; such financing may not be available on terms favorable to the Company, if at all. The Company plans to meet its capital requirements primarily through issuances of equity securities, debt financing, potential partnerships and, in the longer term, revenue from product sales. Failure to generate revenue or raise additional capital would adversely affect the Company's ability to achieve its intended business objectives.

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 Discovery, Inc. included in our Form 8-K/A filed with the SEC on March 20, 2014 ("Form 8-K/A") and the Annual Report on Form 10-K/A for the year ended December 31, 2013 of Biozone Pharmaceuticals, Inc. filed on April 4, 2014 ("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, 2013 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 as Note 2 to the financial statements included in Form 8-K/A and Note 2 to the financial statements included in the Annual Report.

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.

Note 2 – Fair Value Measurements

The company follows FASB Accounting Standards Codification (“ASC”) 820, “Fair Value Measurements and Disclosures,” (“ASC 820”) for the company’s financial assets and liabilities that are re-measured and reported at fair value at each reporting period, and are re-measured and reported at fair value at least annually using a fair value hierarchy that is broken down into three levels. Level inputs are as defined as follows:

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 and marketable securities with no trading restrictions as Level 1 fair value measurements. As further discussed in Note 8 below, certain of the Company’s marketable securities are subject to restrictions on sale and an option for the issuer to repurchase those shares from the Company as of March 31, 2014. The fair value of these marketable securities is therefore considered to be a Level 2 fair value measurement. The valuation for Level 1 financial instruments was determined based on a “market approach” using quoted prices in active markets for identical assets. Valuations of these assets do not require a significant degree of judgment. The valuation for the marketable securities categorized as Level 2 was based on an applying a discount for lack of marketability to the quoted market price of the unrestricted securities held by the Company. The Company categorized its warrants potentially settleable in cash and its options issued to Teva Pharmaceuticals, Inc. 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, using assumptions consistent with our application of ASC 718.

| Description | March 31, 2014 | Quoted Prices in Active Markets (Level 1) | Significant Other Observable Inputs (Level 2) | Unobservable Inputs (Level 3) |
|---|------------------|---|---|-------------------------------|
| Assets: | | | | |
| Cash and Cash Equivalents | \$ 2,599 | \$ 2,599 | \$ - | \$ - |
| Marketable securities | 7,285 | 4,014 | 3,271 | - |
| Total assets | \$ 9,884 | \$ 6,613 | \$ 3,271 | \$ - |
| Liabilities: | | | | |
| Warrants potentially settleable in cash | \$ 12,089 | \$ - | \$ - | \$ 12,089 |
| Total liabilities | \$ 12,089 | \$ - | \$ - | \$ 12,089 |

| Description | December 31, 2013 | Quoted Prices in Active Markets (Level 1) | Significant Other Observable Inputs (Level 2) | Unobservable Inputs (Level 3) |
|---------------------------|-------------------|---|---|-------------------------------|
| Assets: | | | | |
| Cash and Cash Equivalents | \$ 1,034 | \$ 1,034 | \$ - | \$ - |
| Total assets | \$ 1,034 | \$ 1,034 | \$ - | \$ - |
| Liabilities: | | | | |
| Derivative liability | \$ 23 | \$ - | \$ - | \$ 23 |
| Total liabilities | \$ 23 | \$ - | \$ - | \$ 23 |

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The company has not transferred any financial instruments into or out of Level 3 classification during the three months ended March 31, 2014 or 2013. A reconciliation of the beginning and ending Level 3 liabilities for the three months ended March 31, 2014 is as follows:

| | Fair Value Measurements Using Significant Unobservable Inputs (Level 3) |
|---|---|
| Balance, January 1, 2014 | \$ 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 sale of common stock | 3,696 |
| Change in fair value of warrants for the period ended March 31, 2014 | (2,082) |
| Balance at March 31, 2014 | <u>\$ 12,089</u> |

Note 3 – Stockholders’ equity (deficit)

Preferred Stock — The Company has authorized up to 5,000,000 shares of preferred stock, \$0.001 par value per share, for issuance. The preferred stock will have such rights, preferences, privileges and restrictions, including voting rights, dividend rights, conversion rights, redemption privileges and liquidation preferences, as shall be determined by the Company’s board of directors upon its issuance. In connection with the Merger Agreement, the Company issued to Cocrystal Discovery’s security holders 1,000,000 shares of the Company’s Series B Convertible Preferred Stock (“Series B”). The Series B shares: (i) automatically convert into shares of the Company’s common stock at a rate of 205.08308640 shares for each share of Series B at such time that the Company has sufficient authorized capital, (ii) are entitled to vote on all matters submitted to shareholders of the Company and vote on an as converted basis and (iii) have a nominal liquidation preference.

Common Stock — The Company has authorized up to 200,000,000 shares of common stock, \$0.001 par value per share, for issuance. As noted above, the shares of Series B will automatically convert into shares of the Company’s common stock at such time that the Company has sufficient authorized capital. In addition to the 205,083,086 shares issuable upon conversion of the Series B, shares of common stock are reserved for future issuance as follows as of March 31, 2014 (in thousands):

| | |
|--|---------------|
| Warrants outstanding | 26,669 |
| Stock options outstanding | 4,156 |
| Options reserved for future issuance under the Company's 2007 Incentive Plan | 49,268 |
| Total reserved for future issuance | <u>80,093</u> |

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 three months ended March 31, 2014 (in thousands):

| | January 2012 warrants | February 2012 warrants | June 2013 warrants | June 2013 warrants | August 2013 warrants | October 2013 warrants | October 2013 warrants | January 2014 warrants | Total |
|---|-----------------------------|------------------------------|--------------------------|--------------------------|----------------------------|-----------------------------|-----------------------------|-----------------------------|---------------|
| Outstanding, January 1, 2014 | - | - | - | - | - | - | - | - | - |
| Warrants acquired in merger | 650 | 1,000 | 455 | 1,864 | 10,000 | 200 | 7,000 | | 21,169 |
| Warrants granted in period ended March 31, 2014 | | | | | | | | 5,500 | 5,500 |
| Outstanding, March 31, 2014 | <u>650</u> | <u>1,000</u> | <u>455</u> | <u>1,864</u> | <u>10,000</u> | <u>200</u> | <u>7,000</u> | <u>5,500</u> | <u>26,669</u> |

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, August 2013, 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 other income (expense). The fair value of the warrants classified as liabilities is estimated using the Black-Scholes option-pricing model with the following inputs as of March 31, 2014:

| | February 2012 warrants | August 2013 warrants | October 2013 warrants | October 2013 warrants | January 2014 warrants |
|-------------------------|------------------------------|----------------------------|-----------------------------|-----------------------------|-----------------------------|
| Strike price | \$ 0.60 | \$ 0.40 | \$ 0.50 | \$ 0.50 | \$ 0.50 |
| Expected term (years) | 1.9 | 9.4 | 4.6 | 9.6 | 9.8 |
| Cumulative volatility % | 73% | 105% | 84% | 105% | 105% |
| Risk-free rate % | 0.36% | 2.92% | 1.32% | 2.92% | 2.96% |

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 other than those in the above table were recorded in equity at fair value upon issuance, and are not reported as liabilities on the balance sheet.

Note 5 – Stock-based compensation

As of December 31, 2013, Cocrystal Discovery had 288,000 stock options outstanding. As a result of the merger between Cocrystal Discovery and Biozone, these options were converted into 4,402,890 stock options in Biozone based on the exchange ratio of 15.28784681 to one. No additional options were granted in the three months ended March 31, 2014.

The Company recorded approximately \$11,000 of stock-based compensation related to employee and non-employee stock options for the three months ended March 31, 2014. As of March 31, 2014, there was \$63,000 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 2.1 years.

As of March 31, 2014, an aggregate of 49,267,762 shares of common stock were reserved for issuance under the Company's 2007 Incentive Plan, including 4,156,012 shares subject to outstanding common stock options granted under the plan and 49,336,064 shares available for future grants. The administrator of the plan determines the times when an option may become exercisable. Vesting periods of options granted to date have not exceeded four 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, restricted share awards and ESPP issuances.

| | Total number of shares | Weighted Average Exercise Price | Aggregate Intrinsic Value |
|--|------------------------------|---------------------------------------|---------------------------------|
| Outstanding options at January 1, 2014 | 4,402,890 | \$ 0.11 | \$ 2,038,538 |
| Granted | - | | |
| Exercised | (175,272) | 0.11 | 80,976 |
| Cancelled | (71,606) | 0.11 | 32,939 |
| Outstanding at March 31, 2014 | <u>4,156,012</u> | <u>\$ 0.11</u> | <u>\$ 1,911,766</u> |
| Options exercisable at March 31, 2014 | <u>3,652,470</u> | <u>\$ 0.10</u> | <u>\$ 1,701,827</u> |

The aggregate intrinsic value of outstanding and exercisable options at March 31, 2014 was calculated based on the closing price of the Company's common stock as reported on the Over-the-Counter Bulletin Board and the OTCQx markets on March 31, 2014 of \$0.57 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 Loss per Share

The Company accounts for and discloses net loss per common share in accordance with FASB ASC Topic 260, *Earnings Per Share*. Basic net loss per common share is computed by dividing net 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). Diluted net loss per common share is computed by dividing net 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 and the conversion of Series A preferred stock in 2013. Because the inclusion of potential common shares would be anti-dilutive for all periods presented, diluted net loss per common share is the same as basic net loss per common share.

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The following table sets forth the number of potential common shares excluded from the calculation of net loss per diluted share for the three-month periods ended March 31, 2014 and 2013 (in thousands):

| | Three months ended | |
|--------------------------------------|--------------------|--------|
| | March 31, | |
| | 2014 | 2013 |
| Options to purchase common stock | 4,156 | 4,403 |
| Warrants to purchase common stock | 26,669 | 1,650 |
| Series A convertible preferred stock | - | 9,256 |
| Total | 30,825 | 15,309 |

Note 7 – Marketable securities held

On January 2, 2014, Biozone sold substantially all its operating assets, including its manufacturing facility in California, to Musclepharm Corporation (“Muscplepharm”), a public company trading on the OTCBB, in exchange for 1,200,000 shares of Muscplepharm common stock. 600,000 shares were placed into escrow for a period of 9 months (the “Escrow Period”) to cover indemnification obligations. Additionally, Muscplepharm has the option to purchase the shares held in escrow at a purchase price of \$10.00 per share during the Escrow Period (the “Call Option”). The remaining 600,000 non-escrowed shares were issued to Biozone upon closing and are subject to a lockup agreement which permits private sales. This transaction occurred immediately prior to the Merger described in Note 1 above.

The estimated fair value of the Muscplepharm escrowed securities is determined at each balance sheet date. Any decrease or increase in the estimated fair value of the securities since the most recent balance sheet date is recorded as a component of other comprehensive income (loss). Since the shares held in escrow are subject to restrictions on the Company’s ability to sell and are also subject to the Call Option, the fair value of such shares is estimated by applying a discount for lack of marketability and for the Call Option to the quoted market price of unrestricted shares of Muscplepharm. The fair value of the Call Option was estimated to be approximately \$138,000 as of March 31, 2014 and the discount for lack of marketability was estimated to be approximately \$605,000. As a result, the escrowed Muscplepharm shares are recorded on the consolidated balance sheet at their estimated fair value of \$3,271,000 as of March 31, 2014, which represents a discount totaling \$743,000 from the market price of \$4,014,000 of those shares.

Note 8 – Financing

On January 21, 2014, the Company completed the sale of 5,500,000 shares of its common stock in a private placement in exchange for \$2,750,000. 5,500,000 warrants to purchase common stock at an exercise price of \$0.50 for a period of ten years were issued in conjunction with this sale. These warrants were recorded as liabilities upon issuance due to potential cash settlement provisions, as discussed in Note 4. The fair value of these warrants was estimated to be \$3,696,000 at issuance. As this exceeds total proceeds received of \$2,750,000, the excess of \$946,000 was expensed during the three months ended March 31, 2014.

Note 9 - Licenses and Collaborations

Agreements with Teva Pharmaceuticals

On September 13, 2011, the Company signed a Share Purchase Agreement with Teva Pharmaceuticals Industries Limited (“Teva”). Under the terms of this agreement, Teva agreed to purchase, in an initial closing, 687,442 shares of the Company’s common stock for \$7.5 million and, concurrent with the purchase of the common stock, also obtained options to purchase an additional \$37.5 million of the Company’s common stock according to a predefined valuation schedule and predefined percentages of the Company’s outstanding common stock and preferred stock on an as-converted basis. As of December 31, 2013, Teva had not exercised any options to purchase additional common stock and the only remaining option was for an additional \$7.5 million of common stock. The other options under the agreement had expired as of December 31, 2013 due to the passage of time and were no longer exercisable.

Contemporaneous with the signing of the Share Purchase Agreement, the Company also signed a Research and Collaboration Agreement, and an Exclusive License Option Agreement. Under the terms of the Research and Collaboration agreement, the Company is to carry out a research and development program (“R&D Program”) under the direction of a Joint Research Committee with members from the Company and Teva. The goal of the R&D Program is to develop novel therapeutics for Hepatitis C that target the viral polymerase enzyme involved in replication of the virus. To maintain its license option, Teva was required to invest an additional \$7.5 million as described above prior to the Company spending all of the funds originally received in the September 2011 \$7.5 million investment. As of December 31, 2013, the Company had expended approximately \$7.2 million of these funds. As of March 31, 2014, these funds had been fully expended.

Accounting Treatment

Options to Purchase Additional Common Shares

The Company determined that Teva's options to purchase additional shares of common stock were freestanding instruments that were required to be classified as liabilities and carried at fair value under the provisions of ASC 480-10, *Distinguishing Liabilities from Equity*. Accordingly, the Company allocated the proceeds from the initial \$7.5 million investment between the common stock and the options to purchase additional shares of common stock under the terms outlined in the Share Purchase Agreement. The Company recorded a liability of \$4.2 million for the initial fair value of Teva's options in 2011, and allocated the remainder of the proceeds to common stock issued for \$3.1 million, net of transaction costs of \$172,000.

The liability representing the fair value of the options was included on the accompanying balance sheets as "Derivative liability" and was required to be remeasured at fair value at each reporting date. The fair value of the options to purchase additional common stock was estimated using a probability-weighted Black-Scholes-Merton model. As of March 31, 2014, all such options had expired and the liability was reduced to zero.

Note 10- Contingencies

When one of the founders of Biozone Labs financed the property from which its principal operations were conducted, which property is indirectly owned by the founder, Biozone Labs was required to guarantee the note and performance under the deed of trust securing repayment of the note (together with the founder, his wife and the other founder). As of December 31, 2013, the approximate principal sum due the bank under the note was \$2.5 million, which we understand is well in excess of current fair market value of the real property security.

At about the time of our sale of our operating assets to MusclePharm, we gave notice of the assignment and requested that the founder/landlord approve the assignment. The lease requires landlord approval, said approval not to be unreasonably denied. The landlord/founder failed to respond to our request, but gave notice to the bank of the asset sale and assignment of the lease to Musclepharm. Prior notice and consent of a lease assignment or change of control is also required under the terms of the bank loan documents, although no notice was given when we acquired Biozone Labs in 2011.

The bank has retained counsel, accelerated the indebtedness, and demanded payment of the all principal, accrued interest, and a pre-payment penalty, all said amounts totaling approximately \$2.63 million as of February 10, 2014. On February 26, 2014, the bank noticed and recorded a Notice of Default on the deed of trust securing the note, which is the first step for a lender to foreclose on real property security in California. Under California law, and unless earlier resolved, the bank could conduct a foreclosure sale in late June 2014 and pursue the guarantors, including Biozone Labs, for any deficiency between the price obtained at the foreclosure sale and the full amount due under the note.

MusclePharm has advised us that it will guarantee this facility. MusclePharm has greater financial resources than we did before the asset sale to it. We have offered to provide to the bank MusclePharm's guarantee as a substitute or addition to Biozone Labs' guarantee. We are not certain whether the bank will accept the MusclePharm guarantee or if the bank will conduct its foreclosure and then file suit. Although our counsel has advised us that we have valid defenses if the bank files suit, we can not assure you that we will be successful. Any litigation may also be costly to defend.

On March 27, 2014, the founder/landlord filed suit in the Contra Costa County Court against us and our subsidiary, Biozone Laboratories, Inc. as well as Musclepharm alleging the assignment of the lease to Musclepharm was a violation of the lease and its provision requiring the landlord's consent for a change of control. As indicated above, the landlord failed to either approve or reject the proposed assignment when requested last December, and provided no reasonable basis for refusing to approve the assignment. Further, he has continued to cash the rent checks from MusclePharm (January through March), without objection or reservation of his rights. Only upon the bank's default and acceleration did the landlord express any objection to the assignment. Our counsel has advised us that in engaging in the foregoing conduct, the landlord waived its right to assert a default due to the change in control. We agreed to indemnify Musclepharm for its expenses if it were evicted as the result of any action taken by the landlord in contrast to the bank. The costs of any move would be substantial. We intend to vigorously defend the action to prevent Musclepharm's eviction.

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 Annual Report and the information incorporated by reference 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, entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations".

Overview-

Cocrystal Pharma, Inc. ("Cocrystal") is a biotechnology company which develops novel medicines for use in the treatment of human viral diseases. Cocrystal has been developing novel technologies and approaches to create first-in-class and best-in-class antiviral drug candidates since its initial funding in 2008. Subsequent funding was provided to Cocrystal Discovery by Teva Pharmaceuticals Industries, Ltd. in 2011. Our focus is to pursue the development and commercialization of broad-spectrum antiviral drug candidates that will transform the treatment and prophylaxis of viral diseases in humans. By concentrating our research and development efforts on viral replication inhibitors, we plan to leverage our infrastructure and expertise in these areas.

Highlights

During the three months ended March 31, 2014, the Company, through Cocrystal Discovery, focused on its research and development efforts as it moves toward seeking regulatory approval to commence clinical trials. We expect to file with appropriate regulators as follows:

- Hepatitis C. We expect to file an Investigational New Drug application with the U.S. Food & Drug Administration in December 2014;
- Influenza. We expect to file an Investigational New Drug application with the U.S. Food & Drug Administration in December 2015;
- Rhinovirus (HRV) to treat the common cold. We expect to file an Investigational New Drug application with the U.S. Food & Drug Administration in December 2016.

On March 18, 2014, we reincorporated in Delaware under the name Cocrystal Pharma, Inc. ("Cocrystal"). We were previously incorporated in Nevada under the name Biozone Pharmaceuticals, Inc ("Biozone"). Our only operating subsidiary is Cocrystal Discovery, Inc., which we merged with on January 2, 2014. Immediately prior to the Cocrystal Discovery merger, on January 2, 2014, we completed the sale of substantially all of our operating assets to a subsidiary of MusclePharm Corporation ("MusclePharm") in exchange for common stock of MusclePharm. For a description of the assets we retained immediately upon completion of the MusclePharm asset sale, see Note 7. This transaction was accounted for as a reverse merger between Biozone and Cocrystal Discovery.

Results of Operations for the Three Months Ended March 31, 2014 and March 31, 2013

The following discussion consists of the results of operations of Cocrystal Discovery combined with ongoing corporate overhead at the Cocrystal or public company level.

As stated above, we are focused on research and development of novel medicines for use in the treatment of human viral diseases. Accordingly, we had no revenue for the quarters ended March 31, 2014 and 2013. For the three months ended March 31, 2014, we had a net loss of approximately \$372,000 compared to a net loss of approximately \$1,058,000 for the same period in 2013. Our loss of \$0.00 per basic and diluted share for the quarter ended March 31, 2014 compared to \$0.02 per basic and diluted share for the quarter ended March 31, 2013 is affected by the substantial difference in outstanding shares following the January 2, 2014 reverse merger. Because the inclusion of potential common shares would be anti-dilutive for all periods presented, diluted net loss per common share is the same as basic net loss per common share.

Research and Development Expense

Research and development expense consists primarily of compensation-related costs for our 12 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 as we expand our pre-clinical development activities.

Total research and development expenses were approximately \$967,000 for the three months ended March 31, 2014, compared with \$1,005,000 for the three months ended March 31, 2013. The decrease of \$38,000, or 3%, was due to a slight decrease in the personnel, lab supply and services 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 expense was \$565,000 for the three months ended March 31, 2014, compared with \$53,000 for the three months ended March 31, 2013. The increase of \$512,000, or 966%, was due to a \$100,000 increase in compensation-related costs, a \$370,000 increase in accounting, legal and other professional services associated with the merger and financing costs, and a \$35,000 increase in facilities costs.

Interest Income/Expense

Interest income (expense) was negligible for each of the three months ended March 31, 2014 and 2013. 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

Other income was \$1,160,000 for the three months ended March 31, 2014, compared with \$0 for the three months ended March 31, 2013. The increase in other income of \$1,160,000 was due to a decrease in the fair value of derivative liabilities during the three months ended March 31, 2014 offset by expense of \$964,000 for the difference between the proceeds received in our January 2014 common stock financing and the fair value of the warrants issued with the common stock. These derivative liabilities are warrants to acquire the Company's common stock that are potentially settleable in cash.

Liquidity and Capital Resources

For the three months ended March 31, 2014, net cash used by operating activities was approximately \$1,780,000 compared to net cash used by operating activities of approximately \$952,000 for the same quarter in 2013. In 2014, net cash used by operating activities was primarily due to the net operating loss of \$1,532,000 and cash used to pay down current liabilities of \$306,000, much of which related to accounts payable acquired in the reverse merger.

For the three months ended March 31, 2014, cash provided by investing activities was \$576,000, primarily consisting of cash of \$589,000 acquired in the merger with Biozone Laboratories, while in the three months ended March 31, 2013 we used \$0 of net cash in investing activities.

For the three months ended March 31, 2014, net cash provided by financing activities totaled approximately \$2,769,000, principally from our January 2014 private placement of common stock. In addition we raised \$19,000 in common stock option exercises. For the three months ended March 31, 2013, net cash from financing activities provided approximately \$4,000, from common stock option exercises.

We had cash, cash equivalents, and marketable securities of approximately \$2.6 million as of March 31, 2014, compared with \$1.0 million as of December 31, 2013. The increase of \$1.6 million in our cash and cash equivalents from December 31, 2013 to March 31, 2014 was attributable primarily to our \$2.75 million common stock financing which closed in January 2014, as well as the cash acquired in the reverse merger, offset by our operating loss for the period.

Cocrystal believes that its current cash and cash equivalents of \$2,000,000 as of May 8, 2014, and the assets acquired in the reverse merger, including the 1,200,000 shares of common stock of MusclePharm (which closed at \$10.00 on May 8, 2014), a publicly traded company, will be sufficient to allow Cocrystal to fund its current operating plan for at least the next 12 months. A portion of the MusclePharm common stock (600,000 shares) is being held in escrow until October 2014 to satisfy any breaches of representations under the Asset Purchase Agreement. As Cocrystal continues to incur losses, achieving profitability is dependent upon the successful development, approval and commercialization of its product candidates, which is a number of years in the future. Once that occurs, we will have to achieve a level of revenues adequate to support Cocrystal's cost structure. Cocrystal may never achieve profitability, and unless and until it does, Cocrystal will continue to need to raise additional capital. Over the next 12 months ending March 31, 2015, we estimate negative cash flow of approximately \$7 million. Management intends to fund future operations through additional private or public debt or equity offerings, and may seek additional capital through arrangements with strategic partners or from other sources. In addition we may, if appropriate or necessary, sell the MusclePharm common stock. There can be no assurances, however, that additional funding will be available on terms acceptable to Cocrystal, or at all.

Cautionary Note Regarding Forward-Looking Statements

This report includes forward-looking statements including statements regarding our anticipated regulatory filings, cash flow deficit and liquidity. The words "believe," "may," "estimate," "continue," "anticipate," "intend," "should," "plan," "could," "target," "potential," "is likely," "will," "expect" and similar expressions, as they relate to us, are intended to identify forward-looking statements. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our financial condition, results of operations, business strategy and financial needs.

The results anticipated by any or all of these forward-looking statements might not occur. Important factors that could cause actual results to differ from those in the forward-looking statements include our ability to raise sufficient capital, unanticipated events which adversely affect the timing and success of our regulatory filings, failure to develop products which are deemed safe and effective and other issues which affect our ability to commercialize our product candidates. Further information on our risk factors is contained in our filings with the SEC, including our Annual Report on Form 10-K, as amended. We undertake no obligation to publicly update or revise any forward-looking statements, whether as the result of new information, future events or otherwise.

Recent Accounting Pronouncements

None.

Critical Accounting Policies and Estimates

In our Annual Report on Form 10-K/A for the year ended December 31, 2013 and in the 8-K/A filed on March 20, 2014 with the financial statements of Cocystal Discovery, Inc. for the year ended December 31, 2013, 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, 2013. 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

Evaluation of Disclosure Controls and Procedures

The Company maintains a set of disclosure controls and procedures designed to ensure that information required to be disclosed by the Company in reports that it files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized, and reported within the time periods specified in Securities and Exchange Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Securities Exchange Act of 1934 is accumulated and communicated to the Company's management, including its principal executive and principal financial officers, as appropriate, to allow timely decisions regarding required disclosure. An evaluation was carried out under the supervision and with the participation of the Company's management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the our disclosure controls and procedures. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that as of March 31, 2014, our disclosure controls and procedures were not effective, due to the material weakness in our internal control over financial reporting as described below, to ensure that information required to be disclosed was accumulated and communicated to management as appropriate to allow timely decisions regarding required disclosure.

Material Weakness

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis. Based on our assessment using the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in *Internal Control-Integrated Framework (1992)*, management concluded that we did not maintain effective internal control over financial reporting as of December 31, 2013, because of a material weakness relating to accounting for complex financial instruments. Specifically, we did not maintain effective controls over the identification and proper accounting treatment of certain terms and conditions in agreements that contained complex financial instruments, including derivatives. This material weakness resulted in a misstatement of our liabilities and non-cash expense relating to the changes in fair value of the derivative instruments, which was identified by our independent auditors in connection with their audit of Cocrystal Discovery's financial statements as of and for the year ended December 31, 2013. This material weakness still exists as of March 31, 2014. This deficiency could result in misstatements of the aforementioned accounts and disclosures that could result in a material misstatement of the consolidated financial statements that would not be prevented or detected.

Remediation Plan

Management has been actively engaged in developing a remediation plan to address the material weakness. Implementation of the remediation plan is in process and consists of establishing a formal review process of non-routine and complex transactions, including but not limited to equity transactions and licensing transactions, and to utilize outside consultants as necessary in evaluating the accounting for transactions containing complex financial instruments or derivatives. As of March 31, 2014, management has not yet completed these remediation efforts.

Management believes the foregoing efforts will effectively remediate the material weakness. As the Company continues to evaluate and work to improve its internal control over financial reporting, management may execute additional measures to address potential control deficiencies or modify the remediation plan described above. Management will continue to review and make necessary changes to the overall design of the Company's internal control.

PART II — OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

From time to time, we are 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, we are not aware of any proceedings, threatened or pending, against us which, if determined adversely, would have a material effect on our business, results of operations, cash flows or financial position.

When one of the founders of Biozone Labs financed the property from which its principal operations were conducted, which property is indirectly owned by the founder, Biozone Labs was required to guarantee the note and performance under the deed of trust securing repayment of the note (together with the founder, his wife and the other founder). As of December 31, 2013, the approximate principal sum due the bank under the note was \$2.5 million, which we understand is well in excess of current fair market value of the real property security.

At about the time of our sale of our operating assets to MusclePharm, we gave notice of the assignment and requested that the founder/landlord approve the assignment. The lease requires landlord approval, said approval not to be unreasonably denied. The landlord/founder failed to respond to our request, but gave notice to the bank of the asset sale and assignment of the lease to Musclepharm. Prior notice and consent of a lease assignment or change of control is also required under the terms of the bank loan documents, although no notice was given when we acquired Biozone Labs in 2011.

The bank has retained counsel, accelerated the indebtedness, and demanded payment of the all principal, accrued interest, and a pre-payment penalty, all said amounts totaling approximately \$2.63 million as of February 10, 2014. On February 26, 2014, the bank noticed and recorded a Notice of Default on the deed of trust securing the note, which is the first step for a lender to foreclose on real property security in California. Under California law, and unless earlier resolved, the bank could conduct a foreclosure sale in late June 2014 and pursue the guarantors, including Biozone Labs, for any deficiency between the price obtained at the foreclosure sale and the full amount due under the note.

MusclePharm has advised us that it will guarantee this facility. MusclePharm has greater financial resources than we did before the asset sale to it. We have offered to provide to the bank MusclePharm's guarantee as a substitute or addition to Biozone Labs' guarantee. We are not certain whether the bank will accept the MusclePharm guarantee or if the bank will conduct its foreclosure and then file suit. Although our counsel has advised us that we have valid defenses if the bank files suit, we can not assure you that we will be successful. Any litigation may also be costly to defend.

On March 27, 2014, the founder/landlord filed suit in the Contra Costa County Court against us and our subsidiary, Biozone Laboratories, Inc. as well as Musclepharm alleging the assignment of the lease to Musclepharm was a violation of the lease and its provision requiring the landlord's consent for a change of control. As indicated above, the landlord failed to either approve or reject the proposed assignment when requested last December, and provided no reasonable basis for refusing to approve the assignment. Further, he has continued to cash the rent checks from MusclePharm (January through March), without objection or reservation of his rights. Only upon the bank's default and acceleration did the landlord express any objection to the assignment. Our counsel has advised us that in engaging in the foregoing conduct, the landlord waived its right to assert a default due to the change in control. We agreed to indemnify Musclepharm for its expenses if it were evicted as the result of any action taken by the landlord in contrast to the bank. The costs of any move would be substantial. We intend to vigorously defend the action to prevent Musclepharm's eviction.

ITEM 1.A RISK FACTORS

Not applicable to smaller reporting companies. However, investors should consider the "Risk Factors" included under Item 7 of our Annual Report on Form 10-K/A for the year ended December 31, 2013, filed on April 4, 2014 with the SEC.

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

None.

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: August 14, 2014

By: /s/ Gary Wilcox
Gary Wilcox
Chief Executive Officer
(Principal Executive Officer)

Dated: August 14, 2014

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 | |
| 2.1 | Agreement and Plan of Merger – Cocrystal Discovery | 8-K | 1/8/14 | 2.1 | |
| 2.2 | Certificate of Merger – Cocrystal Discovery | 8-K | 1/8/14 | 2.2 | |
| 2.3 | Certificate of Merger – Delaware | 10-K | 4/4/14 | 2.4 | |
| 2.4 | Articles of Merger - Nevada | 10-K | 4/4/14 | 2.5 | |
| 2.5 | Certificate of Designation – Series B | 8-K | 1/8/14 | 3.1 | |
| 3.7 | Certificate of Incorporation – Delaware | 10-K | 4/4/14 | 3.7 | |
| 3.8 | Bylaws – Delaware | 10-K | 4/4/14 | 3.9 | |
| 10.1 | Form of Securities Purchase Agreement - January 2014 Offering | 8-K | 1/21/14 | 10.1 | |
| 10.2 | Form of Warrant - January 2014 Offering | 8-K | 1/21/14 | 10.2 | |
| 10.3 | Employment Agreement – Gary Wilcox* | 8-K | 1/8/14 | 10.1 | |
| 10.4 | Employment Agreement – Sam Lee* | 8-K | 1/8/14 | 10.2 | |
| 10.5 | 2007 Equity Incentive Plan - Cocrystal Discovery | S-8 | 1/2/14 | 10.1 | |
| 10.13 | Form of Indemnification Agreement | 10-K | 4/4/14 | 10.13 | |
| 10.20 | Share Purchase Agreement | | | | Filed+ |
| 10.21 | Research and Collaboration Agreement Between Teva Pharmaceutical Industries Limited and Cocrystal Discovery, Inc. | | | | Filed+ |
| 10.22 | Exclusive License Agreement Between Teva Pharmaceutical Industries Limited and Cocrystal Discovery, Inc. | | | | Filed+ |
| 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 | 10-Q | 5/15/14 | | |
| 101.SCH | XBRL Taxonomy Extension Schema Document | 10-Q | 5/15/14 | | |
| 101.CAL | XBRL Taxonomy Extension Calculation Linkbase Document | 10-Q | 5/15/14 | | |
| 101.DEF | XBRL Taxonomy Extension Definition Linkbase Document | 10-Q | 5/15/14 | | |
| 101.LAB | XBRL Taxonomy Extension Label Linkbase Document | 10-Q | 5/15/14 | | |
| 101.PRE | XBRL Taxonomy Extension Presentation Linkbase Document | 10-Q | 5/15/14 | | |

+ Filed pursuant to a confidential treatment request for certain portions of this document.

* 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.

COCRYSTAL DISCOVERY, INC.

SHARE PURCHASE AGREEMENT

This Share Purchase Agreement (the "**Agreement**") is entered into as of September 13, 2011 by and between Cocystal Discovery, Inc., a Delaware corporation (the "**Company**"), and Teva Pharmaceutical Industries Limited, a limited share company organized under the laws of Israel ("**Teva**"). Capitalized terms used herein but not otherwise defined herein shall have the meanings ascribed to such term in **Exhibit C** attached hereto.

RECITALS

Teva wishes to purchase, and the Company wishes to sell and issue, shares of the Company's Common Stock, \$0.0001 par value per share (the "**Shares**"), for cash consideration in one or more Closings (as defined below), on the terms and conditions set forth in this Agreement. Contemporaneous with the execution and delivery of this Agreement, the Company and Teva are entering into that certain Research and Collaboration Agreement dated as of September 13, 2011 (the "**Research Agreement**") and that certain Exclusive License Option Agreement dated as of September 13, 2011 (the "**License Agreement**").

AGREEMENT

NOW, THEREFORE, in consideration of the mutual representations, warranties and covenants set forth below and in the Research Agreement and for other good and valuable consideration, the receipt and sufficiency of which is acknowledged, the parties hereto agree as follows:

1. Purchase and Sale of Shares.

(a) **Purchase and Sale of Shares.** On or prior to each Closing (as defined below), the Company shall have authorized the sale and issuance to Teva of such number of Shares as determined pursuant to this Agreement for such Closing. Subject to the terms and conditions of this Agreement and the Research Agreement, Teva shall purchase at the applicable Closing, and the Company shall sell and issue to Teva at such Closing, the number of Shares for such Closing as determined pursuant to the applicable subsection of Section 2(a) below at a purchase price per Share for such Closing as determined pursuant to the applicable subsection of Section 2(a) below.

(b) **Use of Proceeds.** The proceeds from each Closing as set forth in Section 2(b)(ii) below shall be used in accordance with the terms of the Research Agreement.

2. Closing; Delivery.

(a) **Closing.** Each event in which Teva shall purchase, and the Company shall sell and issue, Shares under this Agreement shall be deemed a "**Closing**," unless otherwise specified.

(i) **Initial Closing.** Fourteen (14) days from and after the date first above written, the initial purchase and sale of a portion of the Shares under this Agreement shall take place at the offices of Perkins Coie LLP, 1201 Third Avenue, Suite 4800, Seattle, Washington, or such other place and time as the Company and Teva mutually determine in writing (the "**Initial Closing**"). The aggregate purchase price of the Shares purchased at the Initial Closing, the number of Shares purchased at the Initial Closing and the purchase price per share of such Shares is set forth on **Exhibit A** under the heading "Initial Closing."

(ii) **First Target - Second Closing.** Subject to Section 2(a)(vii) below, if (A) Teva provides written notice to the Company of Teva's intent to exercise its option for the Second Investment in the First Target pursuant to the terms and subject to the conditions of the Research Agreement, (B) the Company has delivered a preliminary, updated Disclosure Schedule (as hereinafter defined) to Teva within ten (10) days after the Company has received Teva's notice as set forth in Subsection (A) above, and (C) Teva, in its sole discretion, decides within thirty (30) days after receipt of such Disclosure Schedule to exercise its option and to purchase the Shares to be issued with respect to the Second Investment in the First Target, as determined pursuant to the terms of this Agreement, and provides written notice of such purchase decision to the Company within such period, then such purchase and sale shall take place at the offices of Perkins Coie LLP, 1201 Third Avenue, Suite 4800, Seattle, Washington at 11:00 a.m. Pacific time on the date that is ten (10) days following the date upon which Teva's notice to the Company of such purchase decision is deemed effectively given, or such other place, date and time as the Company and Teva mutually determine in writing. The aggregate purchase price for the Shares purchased at such Closing shall be \$7,500,000. The purchase price per share of the Shares purchased at such Closing and the number of Shares purchased at such Closing shall be determined by the Company and Teva in accordance with the provisions of the attached **Exhibit B**.

(iii) **Second Target – First Closing.** Subject to Section 2(a)(vii) below, if (A) Teva provides written notice to the Company of Teva's intent to exercise its option for the Initial Investment in the Second Target pursuant to the terms and subject to the conditions of the Research Agreement, (B) the Company has delivered a preliminary, updated Disclosure Schedule to Teva within ten (10) days after the Company has received Teva's notice as set forth in Subsection (A) above, and, and (C) Teva, in its sole discretion, decides within thirty (30) days after receipt of such Disclosure Schedule to exercise its option and to purchase the Shares to be issued with respect to the Initial Investment in the Second Target, as determined pursuant to the terms of this Agreement, and provides written notice of such decision to the Company within such period, then such purchase and sale shall take place at the offices of Perkins Coie LLP, 1201 Third Avenue, Suite 4800, Seattle, Washington at 11:00 a.m. Pacific time on the date that is ten (10) days following the date upon which Teva's notice to the Company of such purchase decision is deemed effectively given, or such other place, date and time as the Company and Teva mutually determine in writing. The aggregate purchase price for the Shares purchased at such Closing shall be \$7,500,000. The purchase price per share of the Shares purchased at such Closing and the number of Shares purchased at such Closing shall be determined by the Company and Teva in accordance with the provisions of the attached **Exhibit B**.

(iv) **Second Target – Second Closing.** Subject to Section 2(a)(vii) below, if (A) Teva provides written notice to the Company of Teva's intent to exercise its option for the Second Investment in the Second Target pursuant to the terms and subject to the conditions of the Research Agreement, (B) the Company has delivered a preliminary, updated Disclosure Schedule to Teva within ten (10) days after the Company has received Teva's notice as set forth in Subsection (A) above, and, and (C) Teva, in its sole discretion, decides within thirty (30) days after receipt of such Disclosure Schedule to exercise its option and to purchase the Shares to be issued with respect to the Second Investment in the Second Target, as determined pursuant to the terms of this Agreement, and provides written notice of such decision to the Company within such period, then such purchase and sale shall take place at the offices of Perkins Coie LLP, 1201 Third Avenue, Suite 4800, Seattle, Washington at 11:00 a.m. Pacific time on the date that is ten (10) days following the date upon which Teva's notice to the Company of such purchase decision is deemed effectively given, or such other place, date and time as the Company and Teva mutually determine in writing. The aggregate purchase price for the Shares purchased at such Closing shall be \$7,500,000. The purchase price per share of the Shares purchased at such Closing and the number of Shares purchased at such Closing shall be determined by the Company and Teva in accordance with the provisions of the attached **Exhibit B**.

(v) **Third Target – First Closing.** Subject to Section 2(a)(vii) below, if (A) Teva provides written notice to the Company of Teva's intent to exercise its option for the Initial Investment in the Third Target pursuant to the terms and subject to the conditions of the Research Agreement, (B) the Company has delivered a preliminary, updated Disclosure Schedule to Teva within ten (10) days after the Company has received Teva's notice as set forth in Subsection (A) above, and, and (C) Teva, in its sole discretion, decides within thirty (30) days after receipt of such Disclosure Schedule to exercise its option and to purchase the Shares to be issued with respect to the Initial Investment in the Third Target, as determined pursuant to the terms of this Agreement, and provides written notice of such decision to the Company within such period, then such purchase and sale shall take place at the offices Perkins Coie LLP, 1201 Third Avenue, Suite 4800, Seattle, Washington at 11:00 a.m. Pacific time on the date that is ten (10) business days following the date upon which Teva's notice to the Company of such purchase decision is deemed effectively given, or such other place, date and time as the Company and Teva mutually determine in writing. The aggregate purchase price of the Shares purchased at such Closing shall be \$7,500,000. The purchase price per share of the Shares purchased at such Closing, and the number of Shares purchased at such Closing shall be determined by the Company and Teva in accordance with the provisions of the attached **Exhibit B**.

(vi) **Third Target – Second Closing.** Subject to Section 2(a)(vii) below, if (A) Teva provides written notice to the Company of Teva's intent to exercise its option for the Second Investment in the Third Target pursuant to the terms and subject to the conditions of the Research Agreement, (B) the Company has delivered a preliminary, updated Disclosure Schedule to Teva within ten (10) days after the Company has received Teva's notice as set forth in Subsection (A) above, and, and (C) Teva, in its sole discretion, decides within thirty (30) days after receipt of such Disclosure Schedule to exercise its option and to purchase the Shares to be issued with respect to the Second Investment in the Third Target, as determined pursuant to the terms of this Agreement, and provides written notice of such decision to the Company within such period, then such purchase and sale shall take place at the offices of Perkins Coie LLP, 1201 Third Avenue, Suite 4800, Seattle, Washington at 11:00 a.m. Pacific time on the date that is ten (10) days following the date upon which Teva's notice to the Company of such purchase decision is deemed effectively given, or such other place, date and time as the Company and Teva mutually determine in writing. The aggregate purchase price of the Shares purchased at such Closing shall be \$7,500,000. The purchase price per share of the Shares purchased at such Closing and the number of Shares purchased at such Closing shall be determined by the Company and Teva in accordance with the provisions of the attached **Exhibit B**.

(vii) **Notice and Funding Requirements.** Notwithstanding anything in this Agreement to the contrary, the time periods within which the Initial Investments and the Second Investments are to be made as set forth in the Research Agreement shall not be delayed, and Teva shall initiate its notice process under the applicable subsection of Section 2(a) early enough in order to complete its purchase of Shares pursuant to this Agreement, if at all, within the time frames for equity investments set forth in the applicable provision of Sections 4.1.1 and 4.1.2 of the Research Agreement.

(b) Closing Deliverables.

(i) **Company.** At each Closing, the Company shall deliver to Teva:

(A) a certificate representing the Shares being purchased by Teva at such Closing, registered in the name of Teva;

(B) a certificate, in form and substance reasonably satisfactory to Teva, executed by an officer of the Company certifying on behalf of the Company:

(1) that the representations and warranties of the Company contained in Section 3 of the Agreement and Section 8.2 of the Research Agreement, except as set forth on the Disclosure Schedule delivered to Teva in connection with such Closing, are true and correct as of the date of such Closing; and

(2) that the Company has performed, satisfied and complied in all material respects with all covenants, agreements and conditions required by the Agreement and the Research Agreement to be performed, satisfied or complied with by the Company at or prior to such Closing;

(C) a Disclosure Schedule dated as of the date of such Closing; and

(D) any other documents reasonably requested by Teva or its counsel in connection with such Closing, including, without limitation, a customary secretary's certificate.

(ii) **Teva.** At each Closing, Teva shall deliver to the Company payment of \$7,500,000 in immediately available funds by wire transfer to a bank account designated by the Company at least three (3) days prior to such Closing.

(c) **Schedule of Investments.** The Company shall update **Exhibit A** to this Agreement after each Closing to reflect the number of Shares purchased at such Closing and the purchase price per share of such Shares (in each case as determined pursuant to the applicable subsection of Section 2(a)), which update shall not be considered an amendment to this Agreement or otherwise require the consent of Teva.

3. Representations and Warranties of the Company. The Company shall deliver a disclosure schedule (a "**Disclosure Schedule**") to Teva in connection with each Closing pursuant to the provisions of Section 2(b)(i)(C). The Company hereby represents and warrants to Teva that, except as set forth on the Disclosure Schedule delivered to Teva in connection with the applicable Closing, the statements in the following paragraphs are all true and correct as of immediately prior to the applicable Closing:

(a) **Organization, Valid Existence and Corporate Power.** The Company is a corporation duly organized, validly existing, and in good standing under the laws of the State of Delaware, and has all requisite corporate power and authority to own its properties and carry on its business as currently conducted. The Company is duly qualified to transact business and is in valid existence in the State of Washington, and is duly qualified to transact business and is in good standing in each other jurisdiction in which the failure to so qualify would have a material adverse effect on its business, financial condition or operating results.

(b) **Authorization.** All corporate action on the part of the Company, its officers, directors and stockholders necessary for the authorization, execution and delivery of this Agreement, the performance of all obligations of the Company hereunder and the authorization, issuance and delivery of the Shares has been taken or will be taken prior to such Closing. This Agreement constitutes a valid and legally binding obligation of the Company, enforceable against the Company in accordance with its terms, except (i) as limited by applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other laws of general application affecting enforcement of creditors' rights generally, or (ii) as limited by laws relating to the availability of specific performance, injunctive relief or other equitable remedies.

(c) **Valid Issuance of Shares.** The Shares, when issued, sold and delivered in accordance with the terms and for the consideration set forth in this Agreement, will be validly issued, fully paid and nonassessable and free of restrictions on transfer other than restrictions on transfer under applicable state and federal securities laws and liens or encumbrances created by or imposed by Teva. Based in part upon the representations of Teva in Section 4 of this Agreement, the Shares will be issued in compliance with all applicable federal and state securities laws.

(d) **Capitalization.** The equity capitalization of the Company as of immediately prior to the Closing is as set forth on Section 3(d) of the Disclosure Schedule. Except for (i) the conversion privileges of the Series A Preferred Stock, (ii) the right of first offer set forth in the Investors Rights Agreement, (iii) stock options issued under the Company's 2007 Equity Incentive Plan, as amended (the "**Plan**"), and (iv) as provided in this Agreement or in the applicable Disclosure Schedule, there are no options, warrants, conversion privileges or other rights (or agreements for any such rights) outstanding to purchase or otherwise obtain from the Company any of the Company's securities.

(e) **Subsidiaries.** The Company does not currently own or control, directly or indirectly, any interest in any other corporation, partnership, trust, joint venture, limited liability company, association, or other business entity, except as set forth in Section 3(e) of the Disclosure Schedule. The Company is not a participant in any joint venture, partnership, or similar arrangement.

(f) **Governmental Consents and Filings.** No consent, approval, order, or authorization of, or registration, qualification, designation, declaration, or filing with, any federal, state, or local governmental authority on the part of the Company is required in connection with the consummation of the transactions contemplated by this Agreement, except for filings pursuant to applicable state securities laws and Regulation D of the Securities Act of 1933, as amended (the "**Securities Act**").

(g) **Financial Statements.**

(i) Attached as Section 3(g) of the Disclosure Schedule are copies of (a) the consolidated audited balance sheets of the Company as of the last day of the most recently completed fiscal year and the related audited statements of income and cash flows for the year then ended (the "**Annual Financial Statements**") and (b) the consolidated unaudited balance sheet of the Company as of the last day of the most recently completed fiscal quarter of the Company ended not less than forty five (45) days before the applicable Closing (the "**Balance Sheet**") and the related consolidated unaudited statements of income and cash flows for the period then ended (together with the Annual Financial Statements, the "**Financial Statements**"); *provided, however* that if the Company does not have Audited Financial Statements, the Company shall provide the unaudited balance sheet of the Company as of the last day of the most recently completed fiscal quarter of the Company ended not less than forty five (45) days before the applicable Closing and the related unaudited statements of income and cash flows for such quarter, and such unaudited statements shall constitute the "Financial Statements" for the purposes of this Agreement. The Financial Statements, including any related notes thereto, (i) have been prepared in accordance with GAAP, consistently applied throughout the periods covered thereby, except as otherwise noted therein, (ii) fairly present, in all material respects, the financial condition and results of operations of the Company as of the respective dates thereof and for the respective periods covered thereby and (iii) have been prepared from, and are in accordance with, the books and records of the Company.

(ii) Except as reflected in the Financial Statements, the Company has no material liability or obligation, absolute or contingent (individually or in the aggregate), except (A) obligations and liabilities incurred after the date of the Balance Sheet in the ordinary course of business that are not material, individually or in the aggregate, and (B) obligations under contracts made in the ordinary course of business that would not be required to be reflected in financial statements prepared in accordance with generally accepted accounting principles.

(h) **Litigation.** There is no claim, action, suit, proceeding, arbitration, complaint, charge, or investigation pending or, to the Company's knowledge, currently threatened in writing against the Company that questions the validity of this Agreement or the right of the Company to enter into this Agreement, or to consummate the transactions contemplated hereby, or that might result, either individually or in the aggregate, in a Material Adverse Effect, or any change in the current equity ownership of the Company, nor is the Company aware that there is any reasonable basis for the foregoing. The Company is not a party or subject to the provisions of any order, writ, injunction, judgment, or decree of any court or government agency or instrumentality, and to the Company's knowledge no officer of the Company is a party or subject to any of the foregoing with respect to such officer's role with the Company. There is no action, suit, proceeding, or investigation by the Company currently pending or which the Company intends to initiate.

(i) **Intellectual Property.** A complete list of all of the Company's applications for or registrations of any patents, trademarks, service marks, trade names, copyrights and Internet domain names owned by the Company is set forth on Section 3(i) of the Disclosure Schedule. To the knowledge of the Company, the Company owns, or is validly licensed or otherwise possesses or reasonably believes that it can obtain on commercially reasonable terms legally enforceable rights to use, all right, title and interest in and to the Intellectual Property necessary to enable the Company to carry out the R&D Program as presently proposed to be conducted and to conduct the business of the Company as presently conducted. The Company has not received any written notices of infringement or misappropriation from any Person with respect to the Intellectual Property owned, licensed or otherwise used by the Company. To the Company's knowledge, the use of the Intellectual Property used by the Company to conduct its business as presently conducted and for the performance of the R&D Program as presently proposed to be conducted does not infringe any Intellectual Property rights of any Person. To the Company's knowledge, there is no unauthorized use, infringement or misappropriation of the Intellectual Property owned by the Company by any third party.

(j) **Compliance with Other Instruments.** The Company is not in violation of any provision of its Restated Certificate or Bylaws. The Company is not in material violation or material default (i) of any judgment, order, writ, or decree applicable to it or to which it is a party, (ii) under any instrument, note, indenture or mortgage to which it is a party, (iii) under any lease, agreement, contract or purchase order to which it is a party that is required to be listed on the Disclosure Schedule or (iv) of any provision of any federal or state statute, rule or regulation applicable to the Company. The execution, delivery, and performance of this Agreement and the Research Agreement, and the consummation of the transactions contemplated by this Agreement and the Research Agreement, will not result in any material violation of the Company's Restated Certificate or Bylaws or any material violation or material default of the terms or provisions of the items referred to in clauses (i)-(iv) of this Section 3(j), or constitute, with or without the passage of time and giving of notice, either (x) a violation of or default under any of the foregoing or (y) an event which results in the creation of any lien, charge, or encumbrance upon any assets of the Company or the suspension, revocation, forfeiture or nonrenewal of any permit or license applicable to the Company. Neither the Company nor any of its subsidiaries is engaged, nor, to the Company's knowledge, has any officer, director, employee, or agent of the Company or any of its subsidiaries engaged, in any act or practice which would constitute a violation of the Foreign Corrupt Practices Act of 1977, or any rules or regulations promulgated thereunder. There is not now, and there never has been, any employment by the Company or any of its subsidiaries, or beneficial ownership in the Company or any of its subsidiaries by, any governmental or political official in any country in the world. To the Company's knowledge, the Company and each of its respective officers, directors, employees and agents are in compliance with and have not violated the U.S. money laundering laws or regulations, the U.S. Bank Secrecy Act, as amended by the USA Patriot Act of 2001 (including any recordkeeping or reporting requirements thereunder), or the anti-money laundering laws or regulations of any jurisdiction.

(k) Agreements; Actions.

(i) Except for the terms of this Agreement and the Research Agreement and as listed on Section 3(k) of the Disclosure Schedule, there are no agreements, understandings, instruments, contracts, or proposed transactions, or judgments, orders, writs, or decrees, to which the Company is a party or by which it is bound that involve (A) obligations of, or payments to, the Company in excess of \$25,000 in any fiscal year, (B) the license of any patent, copyright, trademark, trade secret or other Intellectual Property right to or from the Company (other than standard end-user licenses for off the shelf software products used by the Company in its business, or licenses of the Company's Intellectual Property granted by the Company in the ordinary course of its business) or (C) the grant of rights to develop, license, distribute or sell its products or services to any other person outside of the ordinary course of business.

(ii) Since the date of the Balance Sheet, the Company has not (A) declared or paid any dividends or authorized or made any distribution upon or with respect to any class or series of its capital stock, (B) incurred any indebtedness for borrowed money or incurred any other liabilities individually in excess of \$25,000 or in excess of \$100,000 in the aggregate, (C) made any loans or advances to any person or entity, other than ordinary advances for travel expenses, or (D) sold, exchanged or otherwise disposed of any of its material assets or material rights, other than the sale of its inventory in the ordinary course of business. For the purposes of subsections (i) and (ii) above, all indebtedness, liabilities, agreements, understandings, instruments, contracts, and proposed transactions involving the same person or entity (including persons or entities the Company has reason to believe are affiliated with that person or entity) shall be aggregated for the purposes of meeting the individual minimum dollar amounts of each such subsection.

(l) Related Party Transactions.

(i) Other than agreements or understandings pertaining to (A) standard employee benefits generally made available to all employees, (B) standard director and officer indemnification agreements approved by the Board of Directors, (C) the purchase of shares of the Company's capital stock, (D) options to purchase shares of the Company's common stock under the Plan and (E) standard employee offer letters and the Company's standard Invention, Proprietary Information and Noncompetition Agreement, there are no agreements, understandings or proposed transactions between the Company and any of its employees, officers, or directors or their affiliates.

(ii) The Company is not indebted, directly, or indirectly, to any of its employees, officers or directors, or to their respective affiliates, spouses or children, other than in connection with customary and reasonable expenses or advances of such expenses of employees incurred in the ordinary course of business. None of the Company's employees, officers or directors, or any members of their immediate families, or any affiliate thereof, are, directly or indirectly, indebted to the Company or, to the Company's knowledge, have any direct or indirect ownership interest in (A) any firm or corporation with which the Company is affiliated or with which the Company has a business relationship or (B) any firm or corporation which competes with the Company, other than ownership positions in publicly traded companies not exceeding two percent of the outstanding capital stock thereof. None of the Company's employees, officers or directors or, to the Company's knowledge, any members of their immediate families are, directly or indirectly, interested in any material contract with the Company. The Company is not a guarantor or indemnitor of any indebtedness of any other person, firm, or corporation.

(m) Rights of Registration and Voting Rights. Except as provided in the Investors Rights Agreement, the Company is not under any obligation to register under the Securities Act any of its currently outstanding securities or any securities issuable upon exercise or conversion of its currently outstanding securities. Except as contemplated in the Voting Agreement, no stockholder of the Company has entered into any agreements with respect to the voting of shares of capital stock of the Company.

(n) **Title to Assets.** The property and assets that the Company owns are free and clear of all mortgages, deeds of trust, liens, loans and encumbrances, except for statutory liens for the payment of current taxes that are not yet delinquent and encumbrances and liens that arise in the ordinary course of business and do not materially impair the Company's ownership or use of such property or assets. With respect to the property and assets it leases, the Company is in material compliance with such leases and, to its knowledge, holds a valid leasehold interest free of any liens, claims, or encumbrances other than those of the lessors of such property or assets.

(o) **Changes.** Since the date of the Balance Sheet, there has not been:

(i) any change in the financial condition, business, assets or results of operations of the Company from that reflected in the Financial Statements, except changes in the ordinary course of business that have not been, individually, or in the aggregate, materially adverse;

(ii) any damage, destruction, or loss, whether or not covered by insurance, materially and adversely affecting the business, properties or financial condition of the Company;

(iii) any waiver or compromise by the Company of a valuable right or of a material debt owed to it;

(iv) any satisfaction or discharge of any lien, claim, or encumbrance or payment of any obligation by the Company, except in the ordinary course of business and that is not materially adverse to the Company;

(v) any change to a material contract or agreement to which the Company is a party or subject;

(vi) any material change in any compensation arrangement or agreement with any officer or director;

(vii) any resignation or termination of employment of any officer or key employee of the Company;

(viii) any mortgage, pledge, transfer of a security interest in or lien created by the Company with respect to any of its properties or assets, except liens for taxes not yet due or payable;

(ix) any loans or guarantees made by the Company to or for the benefit of its employees, officers, or directors, or any members of their immediate families, other than travel advances and other advances made in the ordinary course of business;

(x) any declaration, setting aside or payment or other distribution in respect to any of the Company's capital stock, or any direct or indirect redemption, purchase, or other acquisition of any of such stock by the Company;

(xi) any sale, assignment, or transfer of any patents, trademarks, copyrights, trade secrets, or other Intellectual Property rights, other than in the ordinary course of the Company's business; or

(xii) any arrangement or commitment by the Company to do any of the things described in this Section 3(o).

(p) **Tax Matters.** There are no federal, state, county, local or foreign taxes dues and payable by the Company that have not been timely paid. There are no accrued and unpaid federal, state, county, local or foreign taxes of the Company which are due, whether or not assessed or disputed. There have been no examinations or audits of any tax returns or reports by any applicable federal, state, local or foreign governmental agency. The Company has duly and timely filed all federal, state, county, local and foreign tax returns required to have been filed by it and there are in effect no waivers of applicable statutes of limitations with respect to taxes for any year.

(q) **Insurance.** The Company has in full force and effect fire, general liability, and casualty insurance policies with extended coverage, in such amounts (subject to reasonable deductions) as customarily carried by similar companies at equivalent stages of development.

(r) **Employee Matters.**

(i) The Company is not bound by or subject to (and none of its assets or properties is bound by or subject to) any written or oral, express or implied, contract, commitment, or arrangement with any labor union, and no labor union has requested or, to the knowledge of the Company, has sought to represent any of the employees, representatives, or agents of the Company. There is no strike or other labor dispute involving the Company pending, or to the knowledge of the Company threatened, which could have a material adverse effect on the Company's business, financial condition or operating results, nor is the Company aware of any labor organization activity involving its employees.

(ii) Each officer and key employee of the Company is currently devoting substantially all of his or her business time to the conduct of the business of the Company. The Company is not aware that any officer or key employee is planning to work less than full time at the Company. The Company is not aware that any officer or key employee, or that any group of key employees, intends to terminate his, her, or their employment with the Company, nor does the Company have a present intention to terminate the employment of any of the foregoing individuals. No officer or key employee is currently working or, to the Company's knowledge, plans to work for a competitive enterprise, whether or not such officer or key employee is or will be compensated by such enterprise.

(iii) The employment of each officer and employee of the Company is terminable at the will of the Company, and upon termination of the employment of each such officer and employee, no severance or other payments will become due.

(iv) The Company is not delinquent in payments to any of its employees, consultants, or independent contractors for any wages, salaries, commissions, bonuses, or other direct compensation for any service performed for it to the date hereof or amounts required to be reimbursed to such employees, consultants, or independent contractors. The Company has complied in all material respects with all applicable state and federal equal employment opportunity laws and with other laws related to employment, including those related to wages, hours, worker classification, and collective bargaining. The Company has withheld and paid to the appropriate governmental entity or is holding for payment not yet due to such governmental entity all amounts required to be withheld from employees of the Company and is not liable for any arrears of wages, taxes, penalties, or other sums for failure to comply with any of the foregoing.

(s) **Permits.** The Company has all franchises, permits, licenses, and any similar authority necessary for the conduct of its business, the lack of which could reasonably be expected to cause a Material Adverse Effect. The Company is not in default under any of such franchises, permits, licenses or other similar authority.

(t) **Benefit Plans.** Section 3(t) of the Disclosure Schedule sets forth each employee benefit plan maintained, established, or sponsored by the Company, or which the Company participates in or contributes to, which is subject to the Employee Retirement Income Security Act of 1974, as amended (“ERISA”). The Company has made all required contributions and has no liability to any such employee benefit plan, other than liability for health plan continuation coverage described in Part 6 of Title 1(B) of ERISA, and has complied in all material respects with all applicable laws for any such employee benefit plan.

(u) **Environmental and Safety Laws.** Except as disclosed on Section 3(u) of the Disclosure Schedule, to the Company's knowledge the Company is not in violation of any applicable statute, law, or regulation relating to the environment or occupational health and safety, and to the Company's knowledge no material expenditures are or will be required in order to comply with any such existing statute, law, or regulation.

(v) **No Deemed Liquidation.** The issuance of Shares to Teva pursuant to the terms of this Agreement do not constitute a “Deemed Liquidation,” as such term is defined in the Restated Certificate.

(w) **No Additional Shares of Common Stock.** The Shares issued to Teva pursuant to the terms of this Agreement do not constitute “Additional Shares of Common Stock,” as such term is defined in the Restated Certificate.

(x) **Disclosure.** The representations and warranties of the Company contained in this Agreement, as qualified by the Disclosure Schedule, and in the exhibits attached hereto do not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements contained herein or therein not misleading in light of the circumstances in which they were made.

4. Representations and Warranties of Teva. Teva hereby represents and warrants to the Company that the statements in the following paragraphs are all true and correct as of immediately prior to the applicable Closing:

(a) **Organization, Valid Existence and Corporate Power.** Teva is a corporation duly organized, validly existing, and in good standing under the laws of Israel, and has all requisite corporate power and authority to own its properties and carry on its business as currently conducted.

(b) **Authorization.** All corporate action on the part of Teva, its officers, directors and stockholders necessary for the authorization, execution and delivery of this Agreement and Teva's performance of all of its obligations under this Agreement has been taken. This Agreement constitutes a valid and legally binding obligation of Teva, enforceable against Teva in accordance with its terms, except (i) as limited by applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other laws of general application affecting enforcement of creditors' rights generally, or (ii) as limited by laws relating to the availability of specific performance, injunctive relief or other equitable remedies.

(c) **Purchase Entirely for Own Account.** The Shares to be acquired by Teva will be acquired for investment for Teva's own account, not as a nominee or agent, and not with a view to the resale or distribution of any part thereof, and Teva has no present intention of selling, granting any participation in, or otherwise distributing the same. By executing this Agreement, Teva further represents that it does not presently have any contract, undertaking, agreement, or arrangement with any person or entity to sell, transfer or grant participations to such person or entity or to any third person or entity, with respect to any of the Shares. Teva has not been formed for the specific purpose of acquiring the Shares.

(d) **Disclosure of Information.** Teva has had an opportunity to discuss the Company's business, management, financial affairs and the terms and conditions of the offering of the Shares with the Company's management. The foregoing, however, does not limit or modify the representations and warranties of the Company in Section 3 of this Agreement or the right of Teva to rely thereon.

(e) **Restricted Securities.** Teva understands that the Shares have not been, and will not be, registered under the Securities Act, by reason of a specific exemption from the registration provisions of the Securities Act which depends upon, among other things, the bona fide nature of the investment intent and the accuracy of Teva's representations as expressed herein. Teva understands that the Shares are "restricted securities" under applicable U.S. federal and state securities laws and that, pursuant to these laws, Teva must hold the Shares indefinitely unless they are registered with the Securities and Exchange Commission and qualified by state authorities, or an exemption from such registration and qualification requirements is available. Teva acknowledges that the Company has no obligation to register or qualify the Shares for resale.

(f) **No Public Market.** Teva understands that no public market now exists for the Shares, and that the Company has made no assurances that a public market will ever exist for the Shares.

(g) **Accredited Investor.** Teva is an "accredited investor" as defined in Rule 501(a) of Regulation D promulgated under the Securities Act.

(h) **Investment Representations, Warranties and Covenants by Non-U.S. Persons.**

(i) This Agreement is made by the Company with Teva, who is a Non-U.S. person (as defined below), in reliance upon Teva's representations, warranties and covenants made in this Section 4(h). As used herein, the terms "**United States**" and "**U.S. person**" have the meanings ascribed to such terms in Rule 902 of Regulation S. As used herein, the term "**Non-U.S. person**" means any person who is not a U.S. person or is deemed not to be a U.S. person under Rule 902(k)(2) of Regulation S.

(ii) Teva has been advised and acknowledges that:

(A) the Shares have not been, and when issued, will not be, registered under the Securities Act, the securities laws of any state of the United States or the securities laws of any other country;

(B) in issuing and selling the Shares to Teva pursuant hereto, the Company is relying upon the "safe harbor" provided by Regulation S and/or on Section 4(2) under the Securities Act;

(C) it is a condition to the availability of the Regulation S "safe harbor" that the Shares not be offered or sold in the United States or to a U.S. person until the expiration of a one-year "distribution compliance period" (or a six-month "distribution compliance period," if the issuer is a "reporting issuer," as defined in Regulation S) following the date of the applicable Closing; and

(D) notwithstanding the foregoing, prior to the expiration of the one-year "distribution compliance period" (or six-month "distribution compliance period," if the issuer is a "reporting issuer," as defined in Regulation S) after the Closing (the "**Restricted Period**"), the Shares may be offered and sold by the holder thereof only if such offer and sale is made in compliance with the terms of this Agreement and either: (1) if the offer or sale is within the United States or to or for the account of a U.S. person, the securities are offered and sold pursuant to an effective registration statement or pursuant to Rule 144 under the Securities Act or pursuant to an exemption from the registration requirements of the Securities Act; or (2) the offer and sale is outside the United States and to other than a U.S. person.

(iii) Teva agrees that with respect to the Shares, until the expiration of the Restricted Period:

(A) Teva, its agents and its representatives have not and will not solicit offers to buy, offer for sale or sell any of the Shares, or any beneficial interest therein in the United States or to or for the account of a U.S. person;

(B) notwithstanding the foregoing, the Shares may be offered and sold by the holder thereof only if such offer and sale is made in compliance with the terms of this Agreement and either: (1) if the offer or sale is within the United States or to or for the account of a U.S. person, the securities are offered and sold pursuant to an effective registration statement or pursuant to Rule 144 under the Securities Act or pursuant to an exemption from the registration requirements of the Securities Act; or (2) the offer and sale is outside the United States and to other than a U.S. person; and

(C) Teva shall not engage in hedging transactions with regard to the Shares unless in compliance with the Securities Act.

The foregoing restrictions are binding upon subsequent transferees of the Shares, except for transferees pursuant to an effective registration statement. Teva agrees that after the Restricted Period, the Shares may be offered or sold within the United States or to or for the account of a U.S. person only pursuant to applicable securities laws.

(iv) Teva has not engaged, nor is it aware that any party has engaged, and Teva will not engage or cause any third party to engage, in any directed selling efforts (as such term is defined in Regulation S) in the United States with respect to the Shares.

(v) Teva: (A) is domiciled and has its principal place of business outside the United States; (B) certifies it is not a U.S. person and is not acquiring the Shares for the account or benefit of any U.S. person; and (C) at the time of the date of the applicable Closing, Teva or persons acting on Teva's behalf in connection therewith will be located outside the United States.

(vi) At the time of offering to Teva and communication of Teva's order to purchase the Shares at each Closing, and at the time of Teva's execution of this Agreement, Teva or persons acting on Teva's behalf in connection therewith were located outside the United States.

(vii) Teva is not a "distributor" (as defined in Regulation S) or a "dealer" (as defined in the Securities Act).

(viii) Teva acknowledges that the Company shall make a notation in its stock books regarding the restrictions on transfer set forth in this Section 4(h) and shall transfer such shares on the books of the Company only to the extent consistent therewith. In particular, Teva acknowledges that the Company shall refuse to register any transfer of the Shares not made in accordance with the provisions of Regulation S, pursuant to registration under the Securities Act or pursuant to an available exemption from registration.

(ix) Teva hereby represents that it has satisfied the requirements of the laws of its jurisdiction of formation and its principal place of business in connection with any invitation to subscribe for or purchase the Shares or any use of this Agreement, including (A) the legal requirements within such jurisdictions for the purchase of the Shares, (B) any foreign exchange restrictions applicable to such purchase, (C) any governmental or other consents that may need to be obtained, and (D) the income tax and other tax consequences, if any, that may be relevant to the purchase, holding, redemption, sale or transfer of the Shares. Teva's subscription and payment for and continued beneficial ownership of the Shares will not violate any applicable securities or other laws of its relevant jurisdictions.

(i) **Legends.** The Shares and any securities issued in respect of or exchange for the Shares shall bear the following legends (in addition to any other legend required by this Agreement or under applicable securities laws):

"THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE " **SECURITIES ACT**"), AND MAY NOT BE SOLD, TRANSFERRED, ASSIGNED, PLEDGED OR HYPOTHECATED EXCEPT IN ACCORDANCE WITH THE PROVISIONS OF REGULATION S PROMULGATED UNDER THE SECURITIES ACT, PURSUANT TO REGISTRATION UNDER THE SECURITIES ACT OR PURSUANT TO AN AVAILABLE EXEMPTION FROM REGISTRATION. HEDGING TRANSACTIONS INVOLVING THE SECURITIES REPRESENTED HEREBY MAY NOT BE CONDUCTED UNLESS IN COMPLIANCE WITH THE SECURITIES ACT. THIS CERTIFICATE MUST BE SURRENDERED TO THE CORPORATION OR ITS TRANSFER AGENT AS A CONDITION PRECEDENT TO THE SALE, PLEDGE, HYPOTHECATION OR ANY OTHER TRANSFER OF ANY INTEREST IN ANY OF THE SECURITIES REPRESENTED BY THIS CERTIFICATE.

THE SECURITIES REPRESENTED BY THIS CERTIFICATE MAY BE TRANSFERRED ONLY IN ACCORDANCE WITH THE TERMS OF A CERTAIN SHARE PURCHASE AGREEMENT BETWEEN THE CORPORATION AND THE STOCKHOLDER, A COPY OF WHICH IS ON FILE WITH THE SECRETARY OF THE CORPORATION.

THE SHARES EVIDENCED HEREBY ARE SUBJECT TO A CERTAIN VOTING AGREEMENT (A COPY OF WHICH MAY BE OBTAINED UPON WRITTEN REQUEST FROM THE CORPORATION), AND BY ACCEPTING ANY INTEREST IN SUCH SHARES THE PERSON ACCEPTING SUCH INTEREST SHALL BE DEEMED TO AGREE TO AND SHALL BECOME BOUND BY ALL THE PROVISIONS OF SAID VOTING AGREEMENT.

THE SALE, PLEDGE, HYPOTHECATION, ASSIGNMENT OR TRANSFER OF THE SECURITIES REPRESENTED BY THIS CERTIFICATE IS SUBJECT TO THE TERMS AND CONDITIONS OF A CERTAIN RIGHT OF FIRST REFUSAL AND CO-SALE AGREEMENT BY AND BETWEEN THE STOCKHOLDER, THE CORPORATION AND CERTAIN HOLDERS OF STOCK OF THE CORPORATION, AND BY ACCEPTING ANY INTEREST IN SUCH SHARES THE PERSON ACCEPTING SUCH INTEREST SHALL BE DEEMED TO AGREE TO AND SHALL BECOME BOUND BY ALL THE PROVISIONS OF SAID AGREEMENT. COPIES OF SUCH AGREEMENT MAY BE OBTAINED UPON WRITTEN REQUEST TO THE SECRETARY OF THE CORPORATION."

Each holder of Shares consents to the Company making a notation in its records and giving instructions to any transfer agent of the Shares in order to implement the restrictions on transfer set forth in this Agreement.

5. Transfer Restrictions.

(a) The Shares shall not be sold, pledged or otherwise transferred, and the Company shall not recognize and shall issue stop-transfer instructions to its transfer agent with respect to any such sale, pledge or transfer, except upon the conditions specified in this Agreement (which conditions are intended to ensure compliance with the provisions of the Securities Act).

(b) The holder of each certificate representing Shares, by acceptance thereof, agrees to comply in all respects with the provisions of this Agreement. Before any proposed sale, pledge or transfer of any Shares, unless there is in effect a registration statement under the Securities Act covering the proposed transaction, the holder thereof shall give notice to the Company of such holder's intention to effect such sale, pledge or transfer. Each such notice shall describe the manner and circumstances of the proposed sale, pledge or transfer in sufficient detail and, if reasonably requested by the Company, shall be accompanied at such holder's expense by, at Teva's option, either (i) a written opinion of legal counsel who shall, and whose legal opinion shall, be reasonably satisfactory to the Company, addressed to the Company, to the effect that the proposed transaction may be effected without registration under the Securities Act, (ii) a "no action" letter from the SEC to the effect that the proposed sale, pledge or transfer of such Shares without registration will not result in a recommendation by the staff of the SEC that action be taken with respect thereto, or (iii) any other evidence satisfactory to counsel to the Company to the effect that the proposed sale, pledge or transfer of the Shares may be effected without registration under the Securities Act, whereupon the holder of such Shares shall be entitled to sell, pledge or transfer such Shares in accordance with the terms of the notice given by the holder to the Company provided that the other provisions of this Agreement are complied with and each transferee agrees in writing to be subject to the terms of this Agreement. It is agreed that the Company will not require such a legal opinion or "no action" letter in any transaction in which such holder distributes Shares to a Permitted Transferee of such holder for no consideration; provided that each transferee agrees in writing to be subject to the terms of this Agreement.

(c) In connection with the initial public offering of the Company's securities and upon request of the Company or the underwriters managing such offering of the Company's securities, Teva agrees not to sell, make any short sale of, loan, grant any option for the purchase of, or otherwise dispose of any securities of the Company, however or whenever acquired (other than those included in the registration) without the prior written consent of the Company or such underwriters, as the case may be, for such period of time (not to exceed 180 days but subject to such extension or extensions as may be required by the underwriters in order to publish research reports while complying with the Rule 2711 of the National Association of Securities Dealers, Inc.) from the effective date of such registration statement as may be requested by the Company or such managing underwriters. Teva further agrees to execute an agreement reflecting the foregoing as may be requested by the underwriters at the time of the Company's initial public offering. The underwriters in connection with such registration are intended third-party beneficiaries of this Section 5 and shall have the right, power and authority to enforce the provisions hereof as though they were a party hereto.

6. Joinder.

(a) By executing this Agreement, Teva hereby acknowledges and confirms that it: (i) has received copies of (A) that certain First Amendment to Series A Preferred Stock Financing Agreements made as of June 9, 2009 by and among the Company and the stockholders of the Company who are signatories thereto (the "**Amendment**"), (B) that certain Voting Agreement entered into as of September 19, 2008 by and among the Company, the parties listed on Schedule A thereto and the parties listed on Schedule B thereto (as amended by the Amendment, the "**Voting Agreement**") and (C) that certain Right of First Refusal and Co-Sale Agreement entered into as of September 19, 2008 by and among the Company, the stockholders listed on Schedule A thereto and the investors listed on Schedule B thereto, as amended (as amended by the Amendment, the "**ROFR Agreement**"); (ii) has read and fully understood the provisions of each of the Voting Agreement and the ROFR Agreement; and (iii) has had the opportunity of obtaining independent legal advice with respect thereto.

(b) With respect to the Voting Agreement, Teva hereby agrees to be bound by and subject to all of the terms, provisions and conditions contained in the Voting Agreement as a "Common Holder" thereunder and agrees to execute and deliver all documentation reasonably requested by the Company in order for Teva to become a party to the Voting Agreement in such capacity promptly upon request by the Company, except that if another holder of Common Stock of the Company holding more than 3% of the outstanding stock of the Company (on a fully diluted basis) is released from such holder's obligations under the Voting Agreement, Teva shall no longer be bound by and subject to the Voting Agreement as a "Common Holder" thereunder.

(c) With respect to the ROFR Agreement, Teva hereby agrees to be bound by and subject to all of the terms, provisions and conditions contained in the ROFR Agreement as a "Founder" thereunder and hereby agrees that all Shares purchased pursuant to this Agreement shall be considered "Founder Stock" (notwithstanding anything to the contrary in the ROFR Agreement), and Teva further agrees to execute and deliver all documentation reasonably requested by the Company in order for Teva to become a party to the ROFR Agreement in such capacity and for the Shares to be considered "Founder Stock" promptly upon request by the Company, except that if another holder of Common Stock of the Company holding more than 3% of the outstanding stock of the Company (on a fully diluted basis) is released from such holder's obligations under the ROFR Agreement (other than with respect to stock that has been offered in accordance with the terms of the ROFR Agreement), Teva shall no longer be bound by and subject to the ROFR Agreement as a "Founder" thereunder and the Shares purchased pursuant to this Agreement shall no longer be considered "Founder Stock" under the ROFR Agreement.

7. Miscellaneous.

(a) **Survival of Warranties.** Unless otherwise set forth in this Agreement, the representations and warranties of the Company contained in or made pursuant to this Agreement with respect to Shares issued at a Closing shall survive the execution and delivery of this Agreement and shall not terminate until the earlier of (i) three (3) years from the date of issuance of such Shares, (ii) the closing of a Deemed Liquidation (as defined in the Restated Certificate) or (iii) the closing of a Qualified IPO (as defined in the Restated Certificate).

(b) **Successors and Assigns.** The rights and obligations of Teva under this Agreement may not be transferred or assigned for any reason (whether by operation of law or otherwise) without the Company's prior written consent. The terms and conditions of this Agreement shall inure to the benefit of and be binding upon the respective successors and assigns of the parties. Nothing in this Agreement, express or implied, is intended to confer upon any party other than the parties hereto or their respective successors and assigns any rights, remedies, obligations, or liabilities under or by reason of this Agreement, except as expressly provided in this Agreement.

(c) **Governing Law.** This Agreement and the rights and obligations of the parties hereunder shall be governed by, and construed in accordance with, the laws of the State of Delaware, without giving effect to principles of conflicts of law.

(d) **Counterparts.** This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Counterparts may be delivered via facsimile, electronic mail (including pdf) or other transmission method and any counterpart so delivered shall be deemed to have been duly and validly delivered and be valid and effective for all purposes.

(e) **Titles and Subtitles.** The titles and subtitles used in this Agreement are used for convenience only and are not to be considered in construing or interpreting this Agreement.

(f) **Notices.** All notices and other communications given or made pursuant to this Agreement shall be in writing in the English language and shall be deemed effectively given: (i) when delivered by hand, if personally delivered; (ii) when delivered by courier, if delivered by commercial courier service; and (iii) upon confirmation of receipt, if sent by facsimile. All communications shall be sent to the respective parties at their address or facsimile number as set forth in this Section 7(f), or to such facsimile number or address as subsequently modified by written notice given in accordance with this Section 7(f). Notice shall be given as follows:

If to the Company:

Cocrystal Discovery, Inc.
Attention: Chief Executive Officer
19805 North Creek Parkway
Bothell, WA 98011
Facsimile: (425) 398-7178

with a copy (which shall not constitute notice) to:

Perkins Coie LLP
Attention: James R. Lisbakken and Mark A. Metcalf
1201 Third Avenue, Suite 4800
Seattle, WA 98101
Facsimile: (206) 359-9000

If to Teva:

Teva Pharmaceutical Industries Limited
Attention: General Counsel, Legal Department
5 Basel Street
P.O. Box 3190
Petach Tikva 49131, Israel
Facsimile: 972-3-926-7429

with a copy (which shall not constitute notice) to:

Vinson & Elkins L.L.P.
Attention: Ira Schreger
666 Fifth Avenue, 26th Floor
New York, NY 10103
Facsimile: (917) 849-5303

(g) **No Finder's Fees.** Each party represents that it neither is nor will be obligated for any finder's fee or commission in connection with this transaction. Teva agrees to indemnify and to hold harmless the Company from any liability for any commission or compensation in the nature of a finder's or broker's fee arising out of this transaction (and the costs and expenses of defending against such liability or asserted liability) for which Teva or any of its officers, employees, or representatives is responsible. The Company agrees to indemnify and hold harmless Teva from any liability for any commission or compensation in the nature of a finder's or broker's fee arising out of this transaction (and the costs and expenses of defending against such liability or asserted liability) for which the Company or any of its officers, employees, or representatives is responsible.

(h) **Fees and Expenses.** The Company and Teva shall each bear its own expenses with respect to the transactions contemplated by this Agreement.

(i) **Amendments and Waivers.** Any term of this Agreement may be amended or waived only with the written consent of the Company and Teva. Any amendment or waiver effected in accordance with this Section 7(i) shall be binding upon Teva and each transferee of the Shares, each future holder of such Shares, and the Company.

(j) **Severability.** If one or more provisions of this Agreement are held to be unenforceable under applicable law, the parties agree to renegotiate such provision in good faith. In the event that the parties cannot reach a mutually agreeable and enforceable replacement for such provision, then (i) such provision shall be excluded from this Agreement, (ii) the balance of the Agreement shall be interpreted as if such provision were so excluded, and (iii) the balance of the Agreement shall be enforceable in accordance with its terms.

(k) **Delays or Omissions.** No delay or omission to exercise any right, power, or remedy accruing to any party under this Agreement, upon any breach or default of any other party under this Agreement, shall impair any such right, power, or remedy of such non-breaching or non-defaulting party nor shall it be construed to be a waiver of any such breach or default, or an acquiescence therein, or of or in any similar breach or default thereafter occurring; nor shall any waiver of any single breach or default be deemed a waiver of any other breach or default theretofore or thereafter occurring. Any waiver, permit, consent, or approval of any kind or character on the part of any party of any breach or default under this Agreement, or any waiver on the part of any party of any provisions or conditions of this Agreement, must be in writing and shall be effective only to the extent specifically set forth in such writing. All remedies, either under this Agreement or by law or otherwise afforded to any party, shall be cumulative and not alternative.

(l) **Entire Agreement.** This Agreement (including the Exhibits hereto), together with the Research Agreement and the License Agreement, constitute the full and entire understanding and agreement between the parties with respect to the subject matter hereof, and any other written or oral agreement relating to the subject matter hereof existing between the parties are expressly canceled.

(m) **Termination.** Notwithstanding any provision hereof to the contrary:

(i) The obligations of the Company to issue and sell Shares to Teva and the right of Teva to purchase Shares from the Company pursuant to this Agreement and the Research Agreement shall terminate and be of no further force and effect upon the earlier to occur of (A) the date on which Teva or the Company terminates the Research Agreement pursuant to its terms and (B) the closing of a Deemed Liquidation (as defined in the Restated Certificate). Upon such termination, Teva shall have no right to purchase, and the Company shall have no obligation to sell and issue, Shares pursuant to the terms of this Agreement or the Research Agreement. Following such termination, the parties will continue to be bound by and subject to Sections 4(h), 4(i), 6 and 7 of this Agreement.

(ii) If such termination occurs due to the closing of a Deemed Liquidation as a result of which the stockholders of the Company receive cash, stock or other property in exchange for their shares of Common Stock (in the aggregate, "**Transaction Consideration**"), then, so long as the Research Agreement has not been terminated and Teva is entitled to make an equity investment pursuant to Section 4.1.1 or 4.1.2 of the Research Agreement, the Company shall make provision so that Teva shall be entitled to receive, upon exercise of a funding option pursuant to Section 4.1.1 or 4.1.2 of the Research Agreement, a portion of the Transaction Consideration that equals the amount it would have received in such Deemed Liquidation if such funding option had been exercised and shares of Common Stock issued to Teva, immediately prior to the closing of such Deemed Liquidation, assuming all such remaining funding options had been exercised. If the portion of the Transaction Consideration payable to a holder of Common Stock for such shares of Common Stock in connection with the Deemed Liquidation is in a form other than cash or marketable securities, then the value of such consideration shall be determined in good faith by the Company's Board of Directors and, at its discretion, paid in cash. In each case the number of Shares that Teva could have acquired upon exercise of such a funding option shall be determined in accordance with the provisions of **Exhibit B** as if such exercise occurred immediately prior to the closing of the Deemed Liquidation. As a condition to receiving the Deemed Liquidation consideration described in this Section 7(m)(ii), Teva shall execute all agreements and other documentation required to be executed by other holders of Common Stock in connection with such Deemed Liquidation and shall be subject, on a comparable basis, to the same escrow, indemnification and other post-closing claims procedures as are applicable to other holders of Common Stock. The Closing procedures of Section 2 for the exercise of funding options shall be adapted, as appropriate, for the Closing of the exchange of the funding and portion of the Transaction Consideration; however, the representations and warranties of the Company, the Disclosure Schedule and the certification in Section 2(b) shall be limited solely to the representations and warranties contained in Section 8.2 of the Research Agreement.

(iii) The Company will notify Teva in writing at least thirty (30) days prior to the closing of a Deemed Liquidation.

* * * * *

IN WITNESS WHEREOF, the parties have executed this Share Purchase Agreement as of the date first written above.

COMPANY:

COCRYSTAL DISCOVERY, INC.

By:

Name: Gary Wilcox
Title: Chief Executive Officer

TEVA:

TEVA PHARMACEUTICAL INDUSTRIES LIMITED

By:

Name:
Title:

By:

Name:
Title:

**Share Purchase Agreement
Signature Page**

EXHIBIT A

Schedule of Investments

| Closing | Date of Closing | Number of Shares* | Share Price* | Cash Paid at Closing |
|--------------------------------|------------------------|------------------------------|---------------------|---------------------------------|
| Initial Closing | _____, 2011 | 605,815 | \$ 12.38 | \$ 7,500,000.00 |
| First Target – Second Closing | | | | \$ 7,500,000.00 |
| Second Target – First Closing | | | | \$ 7,500,000.00 |
| Second Target – Second Closing | | | | \$ 7,500,000.00 |
| Third Target – First Closing | | | | \$ 7,500,000.00 |
| Third Target – Second Closing | | | | \$ 7,500,000.00 |
| TOTAL: | | | | \$45,000,000.00 |

* Determined pursuant to Exhibit B (except with respect to Initial Closing).

EXHIBIT B

I. Purchase Price per Share; Number of Shares

- A. Purchase Price per Share.** The purchase price per Share for the Shares purchased at a Closing shall be equal to the quotient of (1) the Valuation with respect to such Closing, divided by (2) the Outstanding Equity as of immediately prior to such Closing, rounded to the nearest cent.
- B. Number of Shares.** The number of Shares purchased in a Closing shall be equal to the quotient of (1) the Aggregate Purchase Price for such Closing, divided by (2) the purchase price per share for such Closing determined pursuant to paragraph I.A above, rounded down to the nearest whole share.
- C. Fractional Shares.** No fractional Shares shall be issued in any Closing, and any amount of the Aggregate Purchase Price for such Closing left over after the rounding down described in paragraph I.B above shall be retained by the Company.

II. Determination of Purchase Price per Share, Number of Shares

- A.** The Company shall determine the purchase price per Share and the number of shares for the Shares to be purchased at a Closing pursuant to Section I above, which determination must be provided to Teva not later than the Company's provision of the preliminary, updated Disclosure Schedule for such Closing to Teva pursuant to Section 2(a)(ii)(B), 2(a)(iii)(B), 2(a)(iv)(B), 2(a)(v)(B) or 2(a)(vi)(B), as applicable.
- B.** The Company's determination of the purchase price per Share and the number of Shares shall be subject to Teva's approval of such determination, which shall not be unreasonably withheld or delayed.

In the event of a Deemed Liquidation for which Section 7(m)(ii) of this Agreement is applicable, references in the above Sections I and II to "Closing" shall mean immediately prior to the closing of the Deemed Liquidation.

EXHIBIT C

"**Agreement**" shall have the meaning set forth in the preamble.

"**Aggregate Purchase Price**" with respect to a Closing means the dollar amount set forth opposite such Closing on Exhibit A under the column "Cash Paid at Closing".

"**Annual Financial Statements**" shall have the meaning set forth in Section 3(g)(i).

"**Balance Sheet**" shall have the meaning set forth in Section 3(g)(i).

"**Board of Directors**" shall mean the Board of Directors of the Company.

"**Bylaws**" shall mean the Bylaws of the Company, as amended from time to time.

"**Closing**" shall have the meaning set forth in Section 2(a).

"**Company**" shall have the meaning set forth in the preamble.

"**Common Stock**" means the Company's Common Stock, \$0.0001 par value per share.

"**Confidential Information**" shall have the meaning set forth in Section 7(l).

"**Control**" means the possession, directly or indirectly, of the power to direct, or to cause the direction of, the management or policies of a Person, whether through ownership of voting securities, by contract or otherwise.

"**Disclosure Schedule**" shall have the meaning set forth in Section 3.

"**ERISA**" shall have the meaning set forth in Section 3(t).

"**Financial Statements**" shall have the meaning set forth in Section 3(g)(i).

"**First Target**" shall have the meaning set forth in the Research Agreement.

"**GAAP**" means generally accepted accounting principles in the United States.

"**Initial Closing**" shall have the meaning set forth in Section 2(a)(i).

"**Initial Investment**" shall have the meaning set forth in the Research Agreement.

"**Intellectual Property**" means all intellectual property rights, including but not limited to: (a) all inventions, materials, compounds, compositions, substances, methods, processes, techniques, know-how, technology, data, information, discoveries and other results of whatsoever nature, whether or not patentable, and any Patents, copyrights, proprietary intellectual or industrial rights directly or indirectly deriving therefrom; (b) all works of authorship, regardless of copyrightability, all compilations and all copyrights; and (c) all trade secrets, confidential information and proprietary processes.

"**Investors Rights Agreement**" means the Company's Investors Rights Agreement entered into as of September 19, 2008 by and among the Company and the other parties identified therein, as amended from time to time.

"Material Adverse Effect" shall mean a material adverse effect on the financial condition, business, assets or results of operations of the Company, excluding any effect resulting from (A) changes in GAAP or changes in the regulatory accounting requirements applicable to any industry in which the Company operates, (B) changes in the financial or securities markets generally or changes in the general economic or political conditions in the United States or abroad, (C) changes (including changes of applicable law) or conditions generally affecting the industry in which the Company operates, except in the event that such change has a disproportionate effect on the Company, and (D) acts of war, sabotage, terrorism or natural disasters.

"Outstanding Equity" means all shares of Common Stock outstanding, assuming conversion of all outstanding shares of Preferred Stock into Common Stock in accordance with the Restated Certificate.

"Permitted Transferees" shall mean any Person directly or indirectly through one or more intermediaries, Controlling, Controlled by, or under common Control with such Person.

"Person" means any individual, partnership, corporation, limited liability company, trust or other entity.

"Plan" shall have the meaning set forth in Section 3(d).

"Preferred Stock" means the Company's Preferred Stock, \$0.0001 par value per share.

"R&D Program" shall have the meaning set forth in the Research Agreement.

"Research Agreement" shall have the meaning set forth in the recitals.

"Restated Certificate" shall mean the Amended and Restated Certificate of Incorporation of the Company, as amended from time to time.

"ROFR Agreement" shall have the meaning set forth in Section 6(a).

"Second Investment" shall have the meaning set forth in the Research Agreement.

"Second Target" shall have the meaning set forth in the Research Agreement.

"Securities Act" shall have the meaning set forth in Section 3(f).

"Series A Preferred Stock" means the Company's Series A Preferred Stock, \$0.0001 par value per share.

"Shares" shall have the meaning set forth in the recitals.

"Teva" shall have the meaning set forth in the preamble.

"Third Target" shall have the meaning set forth in the Research Agreement.

"Valuation" means the dollar amount set forth opposite such Closing in the table below under the column "Valuation":

| | Closing | Valuation |
|--------------------------------|----------------|------------------|
| Initial Closing | | \$125,000,000 |
| First Target – Second Closing | | \$175,000,000 |
| Second Target – First Closing | | \$175,000,000 |
| Second Target – Second Closing | | \$225,000,000 |
| Third Target – First Closing | | \$225,000,000 |
| Third Target – Second Closing | | \$275,000,000 |

"Voting Agreement" shall have the meaning set forth in Section 6(a).

RESEARCH AND COLLABORATION AGREEMENT

between

TEVA PHARMACEUTICAL INDUSTRIES LIMITED

and

COCRYSTAL DISCOVERY, INC.

Dated as of September 13, 2011

[*] Designates portions of this document that have been omitted pursuant to a request for Confidential Treatment filed separately with the Commission.

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RESEARCH AND COLLABORATION AGREEMENT

THIS RESEARCH AND COLLABORATION AGREEMENT (the “*Agreement*”) is made and entered into as of September 13, 2011 (“*Effective Date*”) by and between:

Teva Pharmaceutical Industries Limited, a corporation incorporated under the laws of Israel, located at 5 Basel Street, Petach Tiqva 49131, Israel (“*Teva*”), and

Cocrystal Discovery, Inc., a corporation incorporated under the laws of Delaware, located at 19805 North Creek Parkway, Bothell, WA 98011 (“*Company*”).

Teva and Company may be individually referred to as a “*Party*” and together as the “*Parties*.”

RECITALS

WHEREAS, Company is focused on the discovery and development of novel therapeutics;

WHEREAS, the Parties wish to perform an R&D Program (as defined herein) to develop therapeutics to be funded by Teva as set forth herein, which will include certain Pre-Clinical Activities (as defined herein); and

WHEREAS, concurrently with the execution hereof, the Parties will enter into a share purchase agreement for the acquisition by Teva of equity in Company (the “*Share Purchase Agreement*”) and an exclusive license option agreement granting Teva the exclusive option, but not the obligation, to be granted licenses to, *inter alia*, any novel therapeutics developed during the R&D Program with respect to particular Targets (as defined herein) (the “*License Option Agreement*”); and

AGREEMENT

NOW, THEREFORE, in consideration of the mutual representations, warranties and covenants contained herein, and for other good and valuable consideration the receipt and sufficiency of which are hereby acknowledged, the Parties hereby agree as follows:

1. Definitions and Interpretation

1.1. Preamble and Annexes. The foregoing preamble and Annexes hereto form an integral part of this Agreement.

1.2. Definitions. In this Agreement the terms below will bear the respective meanings assigned to them below and other capitalized terms will bear the respective meanings assigned to them in their parenthetical definition, unless specifically stated otherwise:

[*] Designates portions of this document that have been omitted pursuant to a request for Confidential Treatment filed separately with the Commission.

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- 1.2.1. “**Affiliate**” will mean, with respect to either Party, any person, organization or entity directly or indirectly controlling, controlled by or under common control with, such Party. For purposes of this definition only, “control” of another person, organization or entity will mean the ability, directly or indirectly, to direct the activities of the relevant entity, and will include, without limitation (a) ownership or direct control of fifty percent (50%) or more of the outstanding voting stock or other ownership interest of the other organization or entity, or (b) direct or indirect possession of the power to elect or appoint fifty percent (50%) or more of the members of the governing body of the organization or other entity. Phillip Frost and Opko Health, Inc. shall not be deemed to be Affiliates of Company.
- 1.2.2. “**Applicable Law**” will mean the applicable laws, rules, regulations, guidelines and requirements related to the Parties and this Agreement, including those related to the development, registration, manufacture, importation, marketing, sale, and offer for sale of Licensed Products in the Territory, including, without limitation, those of the FDA.
- 1.2.3. “**Bankruptcy Code**” will have the meaning ascribed to it in Section 9.2.3.
- 1.2.4. “**Business Day**” will mean any day, except that if an activity to be performed or an event to occur falls on a Friday, Saturday, Sunday or any other day which is recognized as a national holiday in New York, New York or Israel, then the activity may be performed or the event may occur on the next day that is not a Friday, Saturday, Sunday or such nationally recognized holiday.
- 1.2.5. “**Calendar Quarter**” will mean a three (3) consecutive month period ending on March 31, June 30, September 30 or December 31.
- 1.2.6. “**Calendar Year**” will mean the twelve (12) month period beginning January 1 and ending December 31.
- 1.2.7. “**Change of Control**” will mean the occurrence of any of the following: (a) any Third Party that was not, on the Effective Date, the beneficial owner, directly or indirectly, of more than fifty percent (50%) of the voting securities of a Party becomes (after the Effective Date) the beneficial owner, directly or indirectly, of more than fifty percent (50%) of the voting securities of the Party whether as a result of issuances, redemptions, repurchases or transfers of voting equity or otherwise; *provided, however* that for the purposes of this subsection (a), Phillip Frost and Opko Health, Inc. and their respective Affiliates shall be deemed to own over fifty percent (50%) of the voting securities of Company as of the Effective Date and accordingly, their acquisition of any further voting securities of Company (whether as a result of issuances, redemptions, repurchases or transfers of voting equity or otherwise) shall not result in a Change of Control pursuant to this subsection (a); (b) a Party is involved in a merger, reorganization, consolidation or similar transaction (or series of transactions) with a Third Party, and the shareholders of the Party who are the beneficial owners of at least fifty percent (50%) of the outstanding voting securities of the Party immediately prior to such transaction(s) are the beneficial owners of less than fifty percent (50%) of the outstanding voting securities of the Party or the surviving or successor entity as a result of such transaction(s); or (c) a Party sells, transfers or otherwise disposes of all or substantially all of its assets to a Third Party.

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- 1.2.8. **“Claims”** will have the meaning ascribed to it in Section 10.1.1.
- 1.2.9. **“Company”** will have the meaning ascribed to it in the preamble to this Agreement.
- 1.2.10. **“Company Indemnitees”** will have the meaning ascribed to it in Section 10.1.1.
- 1.2.11. **“Company IP”** will have the meaning set forth in the License Option Agreement.
- 1.2.12. **“Confidential Information”** will have the meaning ascribed to it in Section 13.1.
- 1.2.13. **“Control”** will mean with respect to any Patent or other Intellectual Property, possession of the right, whether directly or indirectly, by sole or joint ownership, by license or sublicense, or by any other right, to grant a license, sublicense or other right to or under such Patent or other Intellectual Property without violating the terms of any agreement or other arrangement with any Third Party.
- 1.2.14. **“Discloser”** will have the meaning ascribed to it in Section 13.3.1.
- 1.2.15. **“Effective Date”** will have the meaning ascribed to it in the preamble of this Agreement.
- 1.2.16. **“EMA”** will mean the European Medicines Agency and any successor agency thereto having substantially the same functions and authority.
- 1.2.17. **“Executive Officers”** will mean (a) in the case of Company, a senior executive (*i.e.*, an executive at the corporate vice president or higher level) with appropriate decision-making authority designated by Company, or (b) in the case of Teva, a senior executive (*i.e.*, an executive at the corporate vice president level or higher) with appropriate decision-making authority designated by Teva, for example, the Chief Scientific Officer of Teva.
- 1.2.18. **“Exercise of the License Option,” “to Exercise the License Option,” “has Exercised the License Option,”** and related variations will mean with respect to a Target that Teva, as of a certain date, has paid or is paying Company the Second License Payment within the time required; *provided, however*, that there has not been an earlier Expiration of the License Option.
- 1.2.19. **“Expenditure Report”** will have the meaning ascribed to it in Section 3.2.
- 1.2.20. **“Expiration of the License Option”** will have the meaning set forth in the License Option Agreement.
- 1.2.21. **“FDA”** will mean the Food and Drug Administration of the United States Department of Health and Human Services and any successor agency thereto having substantially the same functions and authority.
- 1.2.22. **“Final Trial Development Report”** will have the meaning ascribed to it in Section 3.4.1.

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- 1.2.23. **“First Target”** will mean [*].
- 1.2.24. **“Incapacitated Party”** will have the meaning ascribed to it in Section 26.1.
- 1.2.25. **“IND”** will mean an Investigational New Drug application, as described in Section 312.23 of Title 21 of the Code of Federal Regulations (21 C.F.R. § 312.23), filed for purposes of obtaining FDA approval to conduct Phase I Clinical Trials in accordance with the requirements of the United States Food, Drug and Cosmetic Act of 1938, as amended, and the rules and regulations promulgated thereunder, including all supplements and amendments thereto relating to the use of the Licensed Product.
- 1.2.26. **“Initial Investment”** will have the meaning ascribed to it in Section 4.1.1.
- 1.2.27. **“Intellectual Property”** or **“IP”** will mean all intellectual property rights that are vested or contingent, or arise in the future, including but not limited to: (a) all inventions, materials, compounds, compositions, substances, methods, processes, techniques, know-how, technology, data, information, discoveries and other results of whatsoever nature, whether or not patentable, and any Patents, copyrights, proprietary intellectual or industrial rights directly or indirectly deriving therefrom; (b) any work of authorship, regardless of copyrightability, all compilations, all copyrights; and (c) all trade secrets, confidential information and proprietary processes.
- 1.2.28. **“Joint Research Committee”** and **“JRC”** will have the meaning ascribed to them in Section 2.1.
- 1.2.29. **“License Option”** will have the meaning set forth in the License Option Agreement.
- 1.2.30. **“License Option Agreement”** will have the meaning set forth in the recitals of this Agreement.
- 1.2.31. **“Licensed Compound”** will mean a compound that inhibits the Target and that has a substantial therapeutic effect through such inhibition, and for which Teva has Exercised the License Option pursuant to the License Option Agreement and any derivative, future development or variation thereof that has such inhibitory properties, and that is comprised of, developed from, based on, or otherwise contain or incorporate the Company IP.
- 1.2.32. **“Licensed Field”** will mean all therapeutic applications in humans of each Licensed Compound.
- 1.2.33. **“Licensed Product”** will mean any pharmaceutical preparation in final dosage form for use in the Licensed Field that contains, as an active therapeutic ingredient, a Licensed Compound.
- 1.2.34. **“Party”** and **“Parties”** will have the meaning ascribed to them in the preamble to this Agreement.

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- 1.2.35. **“Patents”** will mean all patents and patent applications issued or pending in any country or jurisdiction in the Territory, including provisional patent applications, together with any extensions, reissues, substitutions, divisions, continuations or continuations-in-part, reexaminations, revisions or renewals thereof.
- 1.2.36. **“Person”** will mean an individual, sole proprietorship, partnership, limited partnership, limited liability partnership, corporation, limited liability company, business trust, joint stock company, trust, unincorporated association, joint venture or other similar entity or organization, including a government or political subdivision, department or agency of a government.
- 1.2.37. **“Phase I Clinical Trial”** will mean, as to a particular product for a particular indication, the initial study in humans of the safety of such product for such indication, which is prospectively designed to generate data to support commencing a Phase II Clinical Trial (as defined in the License Option Agreement) of such product for such indication.
- 1.2.38. **“Pre-Clinical Activities”** will mean those activities required to be undertaken in order to file an IND with the FDA or an equivalent application to a similar foreign regulatory agency in another jurisdiction in the Primary EU Markets or EMA, which may include, *inter alia*, drug discovery and development, managing animal studies, as well as toxicology studies.
- 1.2.39. **“Primary EU Markets”** will mean the United Kingdom, Germany, France, Italy and Spain.
- 1.2.40. **“Progress Report”** will have the meaning ascribed to it in Section 3.3.
- 1.2.41. **“R&D Program”** will have the meaning ascribed to it in Section 3.1.
- 1.2.42. **“Recipient”** will have the meaning ascribed to it in Section 13.3.1.
- 1.2.43. **“Representatives”** will have the meaning ascribed to it in Section 13.8.
- 1.2.44. **“Second Investment”** will have the meaning ascribed to it in Section 4.1.2.
- 1.2.45. **“Second Target”** will mean a molecular target to be agreed upon by the Parties pursuant to Section 4.1.1(b); however, for the avoidance of doubt, it is recognized that the target will not be a target that is the subject of active bona-fide license, research or development negotiations between Company and a Third Party or as to which Company has concluded a bona-fide license, research or development relationship with a Third Party.
- 1.2.46. **“Share Purchase Agreement”** will have the meaning ascribed to it in the recitals to this Agreement.
- 1.2.47. **“Target”** will mean the First Target, the Second Target or the Third Target, as applicable.

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- 1.2.48. “**Term**” will have the meaning ascribed to it in Section 9.1, on a Target-by-Target basis.
- 1.2.49. “**Territory**” will mean worldwide.
- 1.2.50. “**Teva**” will have the meaning ascribed to it in the preamble to this Agreement.
- 1.2.51. “**Teva Indemnitees**” will have the meaning ascribed to it in Section 10.2.1.
- 1.2.52. “**Third Party**” will mean a person or entity who or which is neither a Party nor an Affiliate of a Party.
- 1.2.53. “**Third Target**” will mean a molecular target to be agreed upon by the Parties pursuant to Section 4.1.1(c); however, for the avoidance of doubt, it is recognized that the target will not be a target that is the subject of active bona-fide license, research or development negotiations between Company and a Third Party or as to which Company has concluded a bona-fide license, research or development relationship with a Third Party.

1.3. Rules of Interpretation for this Agreement.

- 1.3.1. In this Agreement, words importing the singular will include the plural and *vice-versa*, words importing any gender will include all other genders, and references to persons will include partnerships, corporations and unincorporated associations.
- 1.3.2. The words “including” and “includes” mean including, without limiting the generality of any description preceding such terms.
- 1.3.3. In the event of any discrepancy between the terms of this Agreement and any of the Annexes hereto, the terms of this Agreement will prevail.
- 1.3.4. Section, paragraph and annex headings will not affect the interpretation of this Agreement.

2. Joint Research Committee

- 2.1. Establishment and Membership.** As of the Effective Date, Company and Teva will appoint a Joint Research Committee to monitor and coordinate all aspects of the R&D Program (the “*Joint Research Committee*” or “*JRC*”). Each Party will designate two (2) representatives with appropriate expertise to serve as members of the JRC. Each Party may replace its representatives on the JRC at any time upon written notice to the other Party. Each Party shall alternate in designating one of their representatives to the JRC to serve as its chairman for a one-year term. Teva will select from its representatives the initial chairperson for the JRC. From time to time during the term of any chairperson, either Party may change the representative nominated by such Party who will serve as chairperson on written notice to the other Party. The initial members of the JRC are set forth in **Annex 2**.

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- 2.2. Duties.** The JRC will: (a) periodically (no less often than two (2) times per year) review the R&D Program for each Target and, if necessary, make amendments thereto; (b) periodically (no less often than two (2) times per year) review the budget for the R&D Program and, if necessary, make amendments thereto; and (3) perform such other functions as are set forth herein or as the Parties may mutually agree in writing. The JRC may appoint a subcommittee to perform any of the above functions; *provided, however*, that any such subcommittee will report to the JRC.
- 2.3. Meetings.** The JRC will meet at least two (2) times per year, or as otherwise agreed to by the Parties, with the location of such meetings alternating between locations designated by Teva and locations designated by Company. Each Party will be responsible for all travel and related costs and expenses for its members and other representatives to participate in or attend committee meetings. The chairperson of the JRC will be responsible for calling meetings on no less than fifteen (15) Business Days notice. Meetings may be held in person, by telephone, or by video conference call, at the discretion of the chairperson. Each Party will make proposals for agenda items and will provide all appropriate information with respect to such proposed items at least ten (10) Business Days in advance of the applicable meeting. The chairperson of the JRC will prepare and circulate for review and approval of the minutes of each meeting within thirty (30) days after the meeting. The Parties will agree on the minutes of each meeting promptly, but in no event later than the next meeting of the JRC.
- 2.4. Decision Making.** Regardless of the number of representatives attending any JRC meeting, the representatives of Teva and Company will each have a single vote. The JRC will attempt in good faith to reach unanimity with respect to all matters that come before it for discussion and will give consideration to the views, positions and recommendations of each Party on such matters. If the JRC is unable to reach unanimity upon any issue or matter within its jurisdiction within seven (7) days after it has first met and attempted to reach a decision, then in each such event, the JRC will refer the matter to the Executive Officers of Company and Teva for resolution. If the Executive Officers are unable to resolve the dispute within thirty (30) days, the matter will be referred to the Chief Executive Officers of each Party for prompt resolution.
- 2.5. Dismissal of JRC.** The Parties will have the right to disband the JRC upon mutual agreement. If the JRC is not disbanded pursuant to such mutual agreement, and absent a mutual written agreement by the Parties to continue the JRC, the JRC will be automatically divested of responsibility for and authority over activities (including Pre-Clinical Activities) related to a particular Target immediately following the earlier of (i) Exercise of the License Option with respect to such Target or (ii) the termination of this Agreement with respect to such Target.
- 2.6. Limitation of Powers.** The JRC will have only the powers expressly assigned to it in this Agreement. All activities conducted by the JRC will be consistent with and subject to the provisions of this Agreement, and the JRC will not have any power to take any action that conflicts with the terms of this Agreement or to amend, modify or waive compliance with any of the terms of this Agreement.

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3. R&D Program

- 3.1. Scope and Execution of R&D Program.** To the extent of the funding provided to Company by Teva pursuant to Section 4 and subject to the terms of this Agreement, Company will carry out the research and development program for each Target in accordance with the work plan of research and development activities for each Target, time schedule and budget agreed between the Parties and attached to this Agreement as **Annex 3** (the “**R&D Program**”). The R&D Program will be supplemented by appropriate detailed programs at each stage of development for each Target, and will be updated from time to time during the performance of such R&D Program, at the direction of the JRC. Each such update will form part of this Agreement and will be appended to the signature copies for the sake of good order. With respect to all of its activities under the R&D Program with respect to a Target, Company will not be obligated to incur any costs or expenses (whether internal or external) in excess of the funding provided by Teva pursuant to Sections 4.1.1, 4.1.2 and 4.1.6 with respect to the Target.
- 3.2. Expenditure Reports.** Company will keep separate records (on a Target-by-Target basis) of the expenses which it incurs in undertaking the R&D Program and will provide Teva with detailed reports of Company’s expenditures within thirty (30) days after the end of each Calendar Quarter (each an “**Expenditure Report**”). Each Expenditure Report will include an itemized accounting of Company’s allocation of payments received from Teva in accordance with Sections 4.1.1, 4.1.2 or 4.1.6, as applicable.
- 3.3. Progress Reports.** Within forty-five (45) days after the end of each Calendar Quarter during the course of the R&D Program, Company will provide Teva with periodic progress reports (on a Target-by-Target basis) regarding the progress of the R&D Program, in a form and containing the substance to be agreed upon in advance by the Parties (each a “**Progress Report**”).
- 3.4. Final Trial Development Reports.**
- 3.4.1. Not later than thirty (30) days after Company has completed the R&D Program with respect to a Target or incurred costs and expenses under the R&D Program that equal or exceed the funding provided by Teva under Section 4.1 with respect to the Target, whichever occurs first, Company will provide Teva with a report summarizing the results of the same, in a form and containing the substance to be agreed by the Parties (each a “**Final Trial Development Report**”).
- 3.4.2. Within thirty (30) days after receipt by Teva of each Final Trial Development Report, if Teva wishes to receive further information from Company with respect to the compound for such Target it will so advise Company by written notice specifying the additional information it desires to receive. If such information is available to Company without additional research or development work, Company will provide such additional information within a reasonable time, but no later than thirty (30) days following receipt of Teva’s notice. If within fifteen (15) days following receipt of Company’s response Teva wishes to receive further information from Company with respect to the compound, it will so advise Company by written notice specifying such additional information desired, and Company will seek to provide such additional information, if possessed by or in the control of Company, within a reasonable time, but no later than fifteen (15) days following receipt of Teva’s additional notice.

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- 3.5. Additional Updates.** Teva may, from time to time, request updates regarding the progress of the R&D Program, in addition to the Final Trial Development Reports, Expenditure Reports and Progress Reports, and Company will provide promptly any additional update that Teva may reasonably request.
- 3.6. Accounting Audits.** Upon Teva's request and expense, Company and its Affiliates will permit an independent certified public accounting firm selected by Teva and reasonably acceptable to Company, to have access, in each instance, reasonable in time and scope, during normal business hours and upon not less than five (5) Business Days' prior written notice, to those books and records maintained by Company and its Affiliates necessary for Teva to verify the accuracy of Company's Expenditure Reports.
- 3.7. Discovery Technology; Third Party Technology.** Notwithstanding the provisions of this Agreement, it is recognized and agreed that Company is not obligated to disclose to Teva the technology and IP that it uses to perform research and development in seeking to identify and develop compounds, whether created or developed by Company or in-licensed from Third Parties. However, Company will not knowingly, during the course of performing the R&D Program for a Target, in-license IP rights with respect to the compositions of compounds that could become a Licensed Compound, without the prior written consent of Teva, which will not be unreasonably withheld or delayed.
- 3.8. Compliance with Applicable Laws.** The Parties will perform their respective obligations under the R&D Program in accordance with all Applicable Laws and will procure the receipt of all approvals and consents necessary for the performance of its obligations under the R&D Program.
- 3.9. Subcontractors.**

Either Party and its Affiliates will be entitled to subcontract the conduct or performance of any activity concerning the Targets to a Third Party at such Party's sole discretion; *provided, however*, that such Party shall remain liable for the performance of its obligations under this Agreement.

4. Investment for R&D Program Activities

- 4.1. Investment in Targets.** Teva may make pre-license equity investments in Company of up to fifteen million U.S. Dollars (\$15,000,000) for each Target for Company's activities under the R&D Program, such investments being in accordance with the following terms and conditions, *provided, however*, that Teva shall make the Initial Investment with respect to the First Target on the Execution Date:
- 4.1.1. Initial Investment for Each Target.** Within the time frame set forth in subsections (a)–(c), Teva may make an initial equity investment in Company for each Target (each an "*Initial Investment*"):
- (a) **First Target Initial Investment.** On the Effective Date, the Parties will enter into the Share Purchase Agreement pursuant to which Teva will make an equity investment in Company of seven million five hundred thousand U.S. Dollars (\$7,500,000) pursuant to the terms and subject to the conditions of the Share Purchase Agreement (including, without limitation, the valuations thereunder) for the purpose of funding Company activities under the R&D Program related to the First Target;

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- (b) **Second Target Initial Investment.** Within eighteen (18) months of the Effective Date, Teva will have the option but not the obligation to make an equity investment in Company of seven million five hundred thousand U.S. Dollars (\$7,500,000) pursuant to the terms and subject to the conditions of the Share Purchase Agreement (including, without limitation, the valuations thereunder) for the purpose of funding Company activities under the R&D Program related to the Second Target; and
- (c) **Third Target Initial Investment.** Within twenty-four (24) months of the Effective Date, Teva will have the option but not the obligation to make an equity investment in Company of seven million five hundred thousand U.S. Dollars (\$7,500,000) pursuant to the terms and subject to the conditions of the Share Purchase Agreement (including, without limitation, the valuations thereunder) for the purpose of funding Company activities under the R&D Program related to the Third Target.

With respect to Sections 4.1.1(b) and 4.1.1(c), during the period prior to Teva's selection of a Second Target or Third Target, as applicable, Company will use commercially reasonable efforts to cooperate with Teva and to provide any information in its possession or control that is reasonably requested by Teva in connection with its identification of an appropriate Second Target or Third Target, as applicable. Upon Teva's identification of a proposed candidate for such Target, the Parties will enter into a period of discussion and analysis of the proposed candidate for such Target for a period of up to three months, during which the provisions of Sections 5.1.1 and 5.1.2 shall apply. Upon the expiration of the period of discussion and analysis with respect to a proposed candidate for such Target, either (i) Teva shall select the Second Target or Third Target, as applicable, or (ii) the provisions of Sections 5.1.1 and 5.1.2 shall no longer apply to such proposed candidate and Teva may identify an additional proposed candidate for the Second Target or Third Target, as applicable, pursuant to the terms of this provision until the earlier of the selection of the Target or the expiration of the time period set forth in Section 4.1.1(b) or 4.1.1(c), as applicable. Upon the selection of the Second Target or Third Target and payment of the related Initial Investment pursuant to the terms of Section 4.1.1(b) or 4.1.1(c), as applicable, the Parties shall agree on the terms of the R&D Program with respect to such Target within thirty (30) days, and such agreed upon R&D Program shall be attached to and become part of Annex 3. Notwithstanding the foregoing provisions of this paragraph, the time periods within which the Initial Investments are to be made shall not be delayed, and Teva shall initiate the foregoing identification process early enough in order to complete its selection of the Second Target or Third Target, as applicable, and complete its equity investments in the Company, if at all, within the time frames set forth in Sections 4.1.1(b) and 4.1.1(c).

If Teva does not provide the Initial Investment for the Second Target or Third Target within the time set forth above for such Target, Teva will forfeit all rights under this Agreement with respect to such Target, and Company will have no further obligations to Teva under this Agreement or the License Option Agreement with respect to such Target.

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- 4.1.2. **Second Investment for Each Target.** After the Initial Investment is made for a Target, Teva will have the option but not the obligation to make an additional equity investment in Company of seven million five hundred thousand U.S. Dollars (\$7,500,000) pursuant to the terms and subject to the conditions of the Share Purchase Agreement (including, without limitation, the valuations thereunder) for the purpose of funding further Company activities under the R&D Program for the respective Target, such funding to be provided no later than forty-five (45) days after (a) Company's achievement of the objectives for such Target set forth in the R&D Program or (b) Company has expended the Initial Investment for such Target, whichever occurs first (each a "**Second Investment**"). In the event that Teva does not fund the Second Investment for such Target within such time period, Teva will forfeit all rights under this Agreement with respect to such Target, and Company will have no further obligations to Teva under this Agreement or the License Option Agreement with respect to such Target.
- 4.1.3. Teva may elect to terminate the R&D Program with respect to a Target at any time at its sole discretion by providing written notice to Company. Upon such termination, Teva will forfeit all rights under this Agreement with respect to such Target, and Company will have no further obligations to Teva under this Agreement or the License Option Agreement with respect to such Target.
- 4.1.4. Notwithstanding anything contained in this Agreement to the contrary, Teva's decision to not provide the Initial Investment, Second Investment or to terminate the R&D Program with respect to one Target will not affect Teva's rights with respect to any other Target. If Teva forfeits rights with respect to a Target, the last sentence of Section 9.3.1 will apply with respect to the Target.
- 4.1.5. In the event Company completes its activities provided in the R&D Program with respect to a Target and has a surplus of unused proceeds from the Initial Investment or the Second Investment for such Target, Company may use the surplus proceeds for any other Company activities, at Company's sole discretion, and will not be obligated to return to Teva such surplus proceeds or apply such surplus proceeds to any aspect of the R&D Program for any Target.
- 4.1.6. Notwithstanding anything contained in this Agreement to the contrary, in the event that the Initial Investment and Second Investment proceeds are insufficient to fund all activities as provided in the R&D Program with respect to a Target, including after the Exercise of the License Option with respect to such Target, Teva shall have the option to extend the term of the R&D Program with respect to such Target as follows:
- (a) prior to the expiration of the R&D Program, Teva shall identify those activities that it desires Company to perform during such extended period. Upon receipt of the identified activities, Company shall confirm that it has the capability to perform such identified activities and shall provide to Teva an estimate of the charges for such identified activities based upon the customary fees consistent with industry practices charged for substantially similar activities;

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- (b) upon Teva and Company agreeing on the estimated charges for the identified activities prior to the expiration of the R&D Program, the R&D Program shall be extended until the completion of such activities or the expenditure of all funds provided by Teva for such purpose, but in no event shall the R&D Program be extended by more than one year from the date of the original expiration of the R&D Program; and
- (c) to fund such extension, Teva shall pay to Company the estimated charges for the identified activities allocated on a quarterly basis in advance of such quarter; *provided, however*, that if for any quarter, the estimated charges paid by Teva are insufficient to fund the reasonable charges for the identified activities for such quarter, Teva shall promptly reimburse Company an amount equal to the excess of the reasonable charges for the identified activities over the estimated charges paid by Teva for such activities. In the event that the estimated charges paid by Teva for the identified activities exceed the reasonable charges for such activities for a quarter, an amount equal to the excess of the estimated charges paid by Teva for such identified activities over the reasonable charges for such activities shall be credited toward the estimated charges allocated to the subsequent quarter; *provided, however*, that if the estimated charges paid by Teva for the identified activities exceed the reasonable charges for such activities at the end of the extension of the R&D Program, Company shall refund to Teva an amount equal to the excess of the estimated charges paid by Teva over the reasonable charges for such identified activities. Teva shall not be entitled to any equity in Company in return for such additional funding it provides pursuant to this Section 4.1.6.

4.1.7. In the event that Teva desires to Exercise the License Option with respect to a Target before the due date for payment of the Second Investment with respect to such Target, Teva shall simultaneously make such Second Investment at the same time as such Exercise of the License Option; *provided, however*, the proceeds of such Second Investment shall be used as directed by Teva to fund additional research for such Target or the R&D Program applicable to additional Targets previously selected pursuant to the terms of this Agreement prior to the date of such Exercise of the License Option.

4.2. Information. After the Initial Investment and until Teva fails to make the Second Investment with respect to a particular Target, Company shall make its data and records with respect to compounds that could become a Licensed Compound upon Exercise of the License Option for the Target available to Teva. Except for the purpose of evaluating whether to Exercise the License Option with respect to the Target, Teva shall not use any Confidential Information of Company or Company IP until it has Exercised the License Option.

5. No Conflict; Competing Products

5.1. No Conflict. After the Initial Investment with respect to a Target and thereafter during the Term for the Target:

- 5.1.1. Company will not directly or indirectly (through its Affiliates or otherwise) discuss, negotiate or enter into any agreement, arrangement or commitment according to which a Third Party is granted any right in the Licensed Field with respect to compounds that inhibit the Target; and

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5.1.2. Company will not directly or indirectly (through its Affiliates or otherwise), take any action or refrain from taking any action or enter into any conflicting obligations that would or could reasonably be expected to prevent Teva from exercising its License Option with respect to the Target, as contemplated herein.

5.2. Competing Products

5.2.1. After the Initial Investment with respect to a Target and thereafter during the Term for the Target, Company and its Affiliates will not directly or indirectly (through its Affiliates or otherwise), be engaged in the development, manufacture, marketing, sale or any other manner of commercialization of a compound that inhibits the Target and that has a substantial therapeutic effect through such inhibition, other than pursuant to this Agreement or the License Option Agreement, as applicable; *provided, however*, that upon such date that Teva fails to make a Second Investment with respect to the Target pursuant to Section 4.1.2 or fails to Exercise the License Option with respect to the Target pursuant to the License Option Agreement, this Section 5.2.1 will no longer apply to such Target as of such date.

5.2.2. Nothing contained herein will be construed to impose any limitations whatsoever on Teva or its Affiliates to develop, manufacture, market, sell, offer for sale or otherwise commercialize any product, including compounds and products that inhibit a Target or compete with a Licensed Compound or Licensed Product, except as otherwise provided in the last sentence of Section 4.2.

5.3. Change of Control. For the avoidance of doubt, in the event of a Change of Control of Company involving a Third Party, Section 5 will not prevent such Third Party that becomes an Affiliate after the Effective Date or such Third Party's Affiliates from pursuing agreements, arrangements or commitments with respect to their own, independent programs for compounds that inhibit the Target or from being engaged in the development, manufacture, marketing, sale or any other manner of commercialization with respect to their own, independent programs for compounds that inhibit the Target.

6. Ownership of Intellectual Property Rights

6.1. Company Developed IP. The Parties agree that Company will be the sole owner of all IP which is developed solely by Company in accordance with the terms and pursuant to the conditions of this Agreement, that Company will have all right, title and interest thereto, and that such IP will become part of the Company IP, subject to Teva's right to a License Option pursuant to the License Option Agreement.

6.2. Teva Developed IP. The Parties agree that Teva will be the sole owner of all IP relating to the Targets which is developed solely by Teva during the Term, and that Teva will have all right, title and interest thereto.

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6.3. Jointly Developed IP. Rights to IP made jointly by employees of Company or its Affiliates and by employees of Teva or its Affiliates during the Term shall be jointly owned by Company and Teva; *provided, however*, that (a) Company's interest in such jointly developed IP shall be, and shall remain, subject to the provisions of this Agreement and the License Option Agreement, including Teva's exclusive rights in and to such jointly developed IP upon Exercise of the License Option, and (b) both Parties shall be free to use such jointly developed IP without accounting to the other Party except as provided in subsection (a).

6.4. Cooperation. Each Party agrees to sign, execute and deliver all documents and papers that may be required, and perform such other acts as may be reasonably required in order to comply with the terms of this Section 6.

7. Prosecution and Maintenance of Patents

Until the earlier of (a) Teva's Exercise of the License Option with respect to a Target or (b) Expiration of the License Option with respect to a Target, Company will, at Company's expense, prepare, file, record, prosecute, maintain and defend (i.e., in opposition, post-grant review, revocation or similar proceedings) the Patents included in the Company IP with respect to the Target in the Licensed Field in the Territory. Company will continuously and at its own cost provide Teva with reasonable information relating to the prosecution of such Patents, and the maintenance and other proceedings relating thereto including, without limitation, by providing copies of substantive communications, notices, actions, search reports and Third Party observations submitted to or received from the relevant patent authorities. Teva shall have the right, but not the obligation, to comment on any and all filings, responses, actions and omissions which relate to Company IP, and Company shall in good faith give reasonable consideration to all comments provided by Teva with a view toward providing the maximum economic advantage, return and protection to the Company IP. All of Company's expenses pursuant to this Section 7 are payable from the amounts funded by Teva pursuant to Sections 4.1.1, 4.1.2 and 4.1.6, *provided, however* that such expenses shall not exceed \$200,000 per year for each Target.

8. Representations and Warranties

8.1. Mutual Representations. Each Party hereby represents and warrants to the other Party as of the Effective Date that:

- 8.1.1. it has the full power and authority to enter into this Agreement and to perform its obligations hereunder, and all corporate approvals required have been obtained;
- 8.1.2. entering into this Agreement will not constitute a breach of any agreement, contract, understanding and/or obligation, including such Party's documents of incorporation which it is currently bound;
- 8.1.3. it is not under any obligation, contractual or otherwise, to any Person that conflicts with or is inconsistent in any material respect with the terms or conditions of this Agreement, or that would impede the material fulfillment of its obligations hereunder; and
- 8.1.4. it has the necessary experience and expertise to manage and/or perform its obligations under the R&D Program internally and through external sources.

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8.2. Company Representations. In addition, Company hereby represents and warrants as of the Effective Date that:

- 8.2.1. to its knowledge, it is the sole and exclusive owner of all rights in and to the Company IP;
- 8.2.2. the Company IP listed in **Annex 1** represent all Patents within Company's or its Affiliates' Control relating to the subject matter of the R&D Program;
- 8.2.3. all rights in and to the Company IP in the Licensed Field are free and clear of any pledge, security interest, encumbrance, prior assignment, option, warrant, right to possession, claim, right or restriction of any kind or nature whatsoever, charge or other lien whether arising by contract, agreement or by operation of law or order of a court;
- 8.2.4. to its knowledge, the performance of Company's obligations under this Agreement do not and will not infringe any Third Party IP rights;
- 8.2.5. to its knowledge, no Person is infringing or threatening to infringe the Company IP;
- 8.2.6. no legal suit or proceeding by any Third Party exists or, to its knowledge, is threatened against Company contesting the ownership or validity of the Company IP or any part thereof;
- 8.2.7. there are no claims, judgments, or settlements against, or amounts with respect thereto, owed by Company or any of its Affiliates relating to the Company IP;
- 8.2.8. to its knowledge, the conception, development, and reduction to practice of the Company IP have not constituted or involved the misappropriation of trade secrets or other rights or property of any Person;
- 8.2.9. it has not granted any assignment, license, covenant not to sue, or similar interest or benefit, exclusive or otherwise, to any Third Party relating to the Company IP that conflicts with or limits the rights granted to Teva hereunder; and
- 8.2.10. to its knowledge, Company possesses all IP necessary to perform its obligations under the R&D Program.

8.3. Mutual Covenants. Each Party hereby covenants to the other Party that:

- 8.3.1. it will not use in any capacity, in connection with the performance of the activities contemplated by this Agreement, any Person who has been debarred pursuant to Section 306 of the United States Federal Food, Drug, and Cosmetic Act, or who is the subject of a conviction described in such section. Each Party agrees to inform the other Party in writing immediately if it or any Person who is performing services hereunder on its behalf is debarred or is the subject of a conviction described in Section 306, or if any action, suit, claim, investigation, or legal or administrative proceeding is pending or, to its knowledge, is threatened, relating to the debarment or conviction of it or any Person performing services hereunder; and

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8.3.2. in carrying out its obligations and responsibilities pursuant to this Agreement, each Party will use commercially reasonable efforts to obtain or procure all necessary approvals and consents and will comply with all Applicable Laws and, licenses, permits, approvals and procedures.

8.4. Obligation to Correct Inaccuracies. Without derogating from any of the remedies available to either Party hereunder or under Applicable Law, if either Party will become aware of the inaccuracy of any of the above representations and warranties, such Party will immediately notify the other Party of such in writing.

8.5. Disclaimer. EXCEPT AS OTHERWISE EXPRESSLY PROVIDED IN THIS AGREEMENT, EACH PARTY HEREBY DISCLAIMS AND MAKES NO OTHER REPRESENTATIONS OR WARRANTIES OF ANY KIND, EITHER EXPRESS OR IMPLIED, INCLUDING, BUT NOT LIMITED TO, WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, NONINFRINGEMENT, PATENTABILITY AND VALIDITY OF ANY PATENTS ISSUED OR PENDING. Without derogating from the generality of the foregoing, nothing contained in this Agreement is a warranty or representation by any Party that any efforts to be exerted by such Party in connection with this Agreement, including without limitation any research or development activities to be performed by them under this Agreement will achieve their aims or succeed, and the Parties make no warranties whatsoever as to any results to be achieved in consequence of the carrying out of any such efforts or activities.

9. Term and Termination

9.1. Term. This Agreement will commence on the Effective Date and, unless earlier terminated in accordance with Section 9.2, will terminate with respect to each Target (including the associated Company IP and compounds) upon the earlier of (with respect to the Target) (a) termination or expiration of the R&D Program or (b) Expiration of the License Option or Exercise of the License Option (such period with respect to each Target, the “*Term*”).

9.2. Termination.

9.2.1. At any time, Teva will have the right, at its sole discretion, to terminate this Agreement for any or for no reason, by providing Company with thirty (30) days prior written notice of such decision. In this event, Teva will not be obliged to pay any compensation to Company for exercising such termination right.

9.2.2. Company shall have the right to terminate this Agreement by written notice to Teva in the event Teva or any of its Affiliates (a) commences any action or asserts any formal position in any forum (including a court, patent office or arbitral tribunal and whether in the form of petition for declaratory relief, claims, counterclaims, defenses, interferences, petitions for reexamination, oppositions or otherwise) that any Patents or Patent applications included in the Company IP are invalid, unenforceable or should not issue (including with respect to any claims therein) or (b) knowingly assist any Third Party to do any of the foregoing, which termination shall be effective on the date set forth in such notice.

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9.2.3. Without derogating from any other remedies that either Party may have under the terms of this Agreement, the Share Purchase Agreement, the License Option Agreement or Applicable Law, each Party will have the right to terminate this Agreement upon the occurrence of any of the following:

- (a) the other Party commits a material breach of this Agreement and fails to remedy that breach within forty-five (45) days after being requested to do so, in writing, by the non-breaching Party; or
- (b) upon the filing or institution of bankruptcy, reorganization, liquidation or receivership proceedings, or upon an assignment of a substantial portion of the assets for the benefit of creditors by the other Party; *provided, however*, in the case of any involuntary bankruptcy, reorganization, liquidation, receivership or assignment proceeding, such right to terminate will only become effective if such other Party consents to the involuntary proceeding or such proceeding is not dismissed within ninety (90) days after the filing thereof.

Notwithstanding the immediately preceding provision of this Section 9.2.3(b), all rights and licenses granted pursuant to this Agreement are, and will otherwise be deemed to be, for purposes of Section 365(n) of Title 11, U.S. Code (the “*Bankruptcy Code*”) licenses of rights to “intellectual property” as defined under Section 101(35A) of the Bankruptcy Code. The Parties agree that Teva and Company will retain and may fully exercise all of their respective rights, remedies and elections under the Bankruptcy Code. The Parties further agree that, in the event of the commencement of a bankruptcy or reorganization case by or against a Party under the Bankruptcy Code, the other Party will be entitled to all applicable rights under Section 365 (including Section 365(n)) of the Bankruptcy Code. Upon rejection of this Agreement by a Party or a trustee in bankruptcy for such Party, pursuant to Section 365(n), the other Party may elect: (a) to treat this Agreement as terminated by such rejection; or (b) to retain its rights (including any right to enforce any exclusivity provision of this Agreement) to intellectual property (including any embodiment of such intellectual property) under this Agreement and under any agreement supplementary to this Agreement for the duration of this Agreement and any period for which this Agreement could have been extended by such other Party, *subject, however*, to the continued payment of all amounts owing under this Agreement, all of which amounts will be deemed to be royalties for purposes of Section 365(n) of the Bankruptcy Code. Upon written request to the trustee in bankruptcy or bankrupt Party, the trustee or Party, as applicable, will: (x) provide to the other Party any IP held by the trustee or the bankrupt Party and will provide to the other Party a complete duplicate of (or complete access to, as appropriate) any such IP; and (y) not interfere with the rights of the other Party to such IP as provided in this Agreement or any agreement supplementary to this Agreement, including any right to obtain such IP (or such embodiment or duplicates thereof) from a Third Party.

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9.3. Rights and Obligations Upon Termination.

- 9.3.1. Upon termination of this Agreement pursuant to Sections 9.2.1 or 9.2.2 or due to the breach or bankruptcy of Teva pursuant to Section 9.2.3, any unused portions of amounts received by Company pursuant to Sections 4.1.1, 4.1.2 and 4.1.6 for use in the R&D Program for the Targets will be retained by Company. In addition, Teva shall grant Company a non-exclusive, royalty-free, fully paid-up license, with right to sublicense, to those Patents in the Territory (if any) of Teva and its Affiliates developed in connection with this Agreement that specifically claim a compound that inhibits a Target and that has a substantial therapeutic effect through such inhibition. In the event the R&D Program with respect to a Target has been terminated or there has been Expiration of the License Option with respect to the Target, any unused portions of amounts received by Company for use in the R&D Program will be retained by Company and Teva shall grant Company a non-exclusive, royalty-free, fully paid-up license, with right to sublicense, to those Patents in the Territory (if any) of Teva and its Affiliates developed in connection with this Agreement that specifically claim a compound that inhibits such Target and that has a substantial therapeutic effect through such inhibition. Notwithstanding the foregoing, nothing in this Section 9.3.1 shall prevent Teva from exercising its rights under Section 5.2.2.
- 9.3.2. Except as provided in Section 9.2.3(b), upon termination of this Agreement for any reason, each Party, at the request of the other Party, will immediately return to the other Party all materials, reports, updates, documentation, written instructions, notes, memoranda, discs or records or other documentation or physical matter of whatsoever nature or description provided by the other Party, except in the event that such material is owned by such Party pursuant to the terms of this Agreement, and provided that each Party will be allowed to retain one copy for archival purposes.
- 9.3.3. In the event of termination pursuant to Section 9.2.2 due to the breach or bankruptcy of Company, any such unused portions of the amounts received by Company pursuant to Section 4.1 may, at Teva's election, be returned to Teva in exchange for Teva's return to Company of such number of shares of Company as were purchased with such returned amounts.
- 9.3.4. At the request of either Party, the other Party will execute and deliver such assignments and licenses and other documents as may be necessary to fully vest in the requesting Party all right, title and interest to which it is entitled pursuant to this Section 9.
- 9.3.5. Upon termination of this Agreement for any reason each Party will be entitled to collect any debt or accrued obligation then owed to it by the other Party.
- 9.3.6. Except as otherwise provided in this Agreement, all accrued obligations and all rights and obligations under Sections 6, 9, 10, 11, 12, 13, 14, 16, 24 and 25 will survive the termination or expiry of this Agreement or the Term with respect to each Target.

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10. Indemnification

10.1. Teva's Indemnification.

- 10.1.1. Teva will indemnify, defend, and hold harmless each of Company, its Affiliates and their respective directors, officers, employees, agents, successors, heirs and assigns (the "**Company Indemnitees**"), from and against any liability, damage, loss, or expense (including reasonable attorney's fees and expenses) incurred by or imposed upon any of the Company Indemnitees in connection with any claims, suits, actions, demands or judgments of third parties ("**Claims**") arising pursuant to a breach of a representation or warranty by Teva under this Agreement and/or concerning the negligent acts or omissions to act by any Teva Indemnitees or their subcontractors, except in cases where, and to the extent that, such Claims result from the breach of this Agreement, negligence or willful misconduct by or on the part of any of the Company Indemnitees and/or any misrepresentation by Company under this Agreement.
- 10.1.2. Teva's undertakings under Section 10.1.1 above will be subject to: (a) receipt of prompt written notice of any Claim by the Company Indemnitee, *provided, however*, that the failure to give such notice will not affect Teva's indemnification undertakings provided hereunder except to the extent Teva will have been actually prejudiced as a result of such failure; (b) the cooperation of the Company Indemnitee(s) regarding the response to and the defense of any such Claim; and (c) Teva's right, by written notice to the Company Indemnitees, to assume the defense of the Claim or represent the interests of the Company Indemnitees with respect to such Claim, that will include the right to select and direct legal counsel and other consultants to appear in proceedings on behalf of the Company Indemnitees and to propose, accept or reject offers of settlement, all at its sole cost; *provided however*, that no such settlement will be made without the written consent of the Company Indemnitees, such consent not to be unreasonably withheld or delayed. Nothing herein will prevent the Company Indemnitees from retaining their own counsel and participating in their own defense at their own cost and expense.

10.2. Company's Indemnification.

- 10.2.1. Company will indemnify, defend, and hold harmless each of Teva, its Affiliates and their respective directors, officers, employees, agents, successors, heirs and assigns (the "**Teva Indemnitees**"), from and against any liability, damage, loss, or expense (including reasonable attorney's fees and expenses) incurred by or imposed upon any of the Teva Indemnitees in connection with any Claims arising pursuant to a breach of a representation or warranty by Company under this Agreement and/or concerning negligent acts or omissions to act by Company Indemnitees or their subcontractors in the activities of Company under this Agreement, except in cases where, and to the extent that, such Claims result from the breach of this Agreement, negligence or willful misconduct by or on the part of any of the Teva Indemnitees and/or any misrepresentation by Teva under this Agreement.

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10.2.2. Company's undertakings under Section 10.2.1 above will be subject to: (a) receipt of prompt written notice of any Claim by the Teva Indemnitee; *provided, however*, that the failure to give such notice will not affect their indemnification undertakings provided hereunder except to the extent Company will have been actually prejudiced as a result of such failure; (b) the cooperation of the Teva Indemnitee(s) regarding the response to and the defense of any such Claim; and (c) Company's right, by written notice to the Teva Indemnitees, to assume the defense of the Claim or represent the interests of the Teva Indemnitees with respect to such Claim, that will include the right to select and direct legal counsel and other consultants to appear in proceedings on behalf of the Teva Indemnitees and to propose, accept or reject offers of settlement, all at its sole cost; *provided however*, that no such settlement will be made without the written consent of the Teva Indemnitees, such consent not to be unreasonably withheld or delayed. Nothing herein will prevent the Teva Indemnitees from retaining their own counsel and participating in their own defense at their own cost and expense.

11. Insurance

- 11.1. Each Party will maintain, for the Term and thereafter, insurance sufficient to cover its obligations under this Agreement and under law as it customarily maintains for similar activities in the regular course of its business. Teva may fulfill its obligation under this Section 11 to obtain insurance by the maintenance of appropriate self insurance regardless of the nature or title thereof.
- 11.2. During the Term, Company will maintain, at its cost, insurance against legal liability and other risks associated with its activities and obligations under this Agreement, in such amounts which in any case will not be less than two million U.S. Dollars (\$2,000,000) subject to such deductibles and on such terms as are customary for a company such as Company for the activities to be conducted by it under this Agreement. Company will furnish Teva with evidence of such insurance upon Teva's request.

12. Limitation of Liability

EXCEPT IN THE CASE OF A WILLFUL OR FRAUDULENT MISREPRESENTATION UNDER THIS AGREEMENT, THE LICENSE OPTION AGREEMENT OR THE SHARE PURCHASE AGREEMENT, AND EXCEPT WITH RESPECT TO THE PARTIES' RESPECTIVE INDEMNIFICATION OBLIGATIONS WITH RESPECT TO CLAIMS PAYABLE TO THIRD PARTIES UNDER SECTION 10 OF THIS AGREEMENT AND THE PARTIES' OBLIGATIONS UNDER SECTION 13, IN NO EVENT WILL EITHER PARTY BE LIABLE TO THE OTHER OR ANY OF ITS AFFILIATES FOR ANY CONSEQUENTIAL, INCIDENTAL, INDIRECT, SPECIAL, PUNITIVE OR EXEMPLARY DAMAGES (INCLUDING, WITHOUT LIMITATION, LOST PROFITS, BUSINESS OR GOODWILL) SUFFERED OR INCURRED BY SUCH OTHER PARTY OR ITS AFFILIATES, WHETHER BASED UPON A CLAIM OR ACTION OF CONTRACT, WARRANTY, STRICT LIABILITY, NEGLIGENCE OR OTHER TORT, OR OTHERWISE, ARISING OUT OF THIS AGREEMENT.

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13. Confidentiality

13.1. No Disclosure. Other than as expressly set forth herein, Teva and Company undertake to treat and to maintain and to ensure that their Representatives (as defined below) will treat and maintain, in strict confidence and secrecy any information disclosed by either Party under this Agreement or the Share Purchase Agreement, whether disclosed in oral or visual form or in writing and will keep in confidence the existence and contents of this Agreement (the “**Confidential Information**”) and will not disclose, publish, or disseminate in any manner, any Confidential Information including, without limitation, any aspect thereof, to a Third Party other than those of its Representatives with a need to know such Confidential Information. In addition, each Party agrees to treat and maintain (and to ensure that its Representatives treat and maintain) in strict confidence and secrecy and to prevent any unauthorized use, disclosure, publication, or dissemination of the Confidential Information, except for the purposes of this Agreement. Each Party agrees to be responsible for any use or disclosure of the other Party's Confidential Information by any of its Representatives. This Agreement shall be deemed to be the Confidential Information of both Parties. It is recognized and agreed that the results of the R&D Program with respect to any Target is the Confidential Information of Company; *provided, however* that (a) until Expiration of the License Option or termination of Teva's applicable rights under the License Option Agreement, Company shall not disclose, publish or disseminate in any manner the results of the R&D Program to a Third Party without the prior written consent of Teva, and (b) the ownership rights of IP with respect to any Target shall be governed by the terms of Sections 6.1, 6.2 and 6.3.

13.2. Maintaining Confidentiality. Each Party will:

- 13.2.1. safeguard and keep secret all Confidential Information, and will not directly or indirectly disclose to any Third Party the Confidential Information without written permission of the other Party; and
- 13.2.2. in performing its duties and obligations hereunder, use at least the same degree of care as it does with respect to its own confidential information of like importance but, in any event, at least reasonable care.

13.3. Exceptions. The undertakings and obligations under Sections 13.1 and 13.2 will not apply to any part of the Confidential Information which:

- 13.3.1. was known to the recipient of the Confidential Information (the “**Recipient**”) prior to disclosure by the disclosing Party (the “**Discloser**”);
- 13.3.2. was generally available to the public prior to disclosure to the Recipient;
- 13.3.3. is disclosed to the Recipient by a Third Party who is not bound by any confidentiality obligation, having a legal right to make such disclosure;
- 13.3.4. has become through no act or failure to act on the part of the Recipient public information or generally available to the public;

[*] Designates portions of this document that have been omitted pursuant to a request for Confidential Treatment filed separately with the Commission.

- 13.3.5. was independently developed by the Recipient without reference to or reliance upon the Confidential Information; or
- 13.3.6. is required to be disclosed by the Recipient by law, by court order, or governmental regulation (including securities laws and/or exchange regulations), provided that the Recipient gives the Discloser reasonable notice prior to any such disclosure and cooperates (at the Discloser's expense) with the Discloser to assist the Discloser in obtaining a protective order or other suitable protection from disclosure (if available) with respect to such Confidential Information.

13.4. Disclosure Required by Law, Non-Disclosure Agreements. Notwithstanding the foregoing:

- 13.4.1. in the event that either Party is required to disclose the other Party's Confidential Information pursuant to securities laws, then, prior to such disclosure, the text of such disclosure will be provided to the other Party for its comment and review, and such disclosing Party shall consider the comments of the other Party in good faith; and
- 13.4.2. each Party may disclose the terms of this Agreement to the extent required, in the reasonable opinion of such Party's legal counsel, to comply with Applicable Laws, *provided, however*, that prior to any disclosure, the disclosing Party will consult with the non-disclosing Party and give good faith consideration to deleting information requested by the non-disclosing Party, including business sensitive information.

13.5. Notice of Breach. Each Party agrees to inform the other Party of any breach or threatened breach of the provisions hereof by its Representatives.

13.6. Remedies. Teva and Company each acknowledges that their respective Confidential Information is of special and unique significance to each of them and that any unauthorized disclosure or use of the Confidential Information could cause irreparable harm and significant injury to the Discloser that may be difficult to ascertain. Accordingly, any breach of this Agreement may entitle the aggrieved Party in addition to any other right or remedy that it may have available to it by law or in equity, to remedies of injunction, specific performance and other relief, including recourse in a court of law.

13.7. Duration. The provisions relating to confidentiality in this Section 13 will remain in effect during the Term and for a period of seven (7) years thereafter.

13.8. Representatives Defined. For the purposes of this Section 13, "**Representatives**" will mean employees, officers, agents, subcontractors, consultants, and/or any other person or entity acting on either Party's behalf, individually or collectively, including prospective Affiliates, acquirors, investors and lenders who have executed a confidentiality agreement with terms substantially similar to the restrictions imposed by this Section 13, which will be exposed to Confidential Information; *provided, however* that under no circumstances shall Company disclose to pharmaceutical companies that are competitors of Teva any of Teva's Confidential Information pertaining to its Intellectual Property (except in connection with a sublicense pursuant to Section 9.3.1) or business plans.

[*] Designates portions of this document that have been omitted pursuant to a request for Confidential Treatment filed separately with the Commission.

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14. Publication

14.1. Public Statements Relating to this Agreement. Except as required by Applicable Law, Company will not issue any press release, make any public statement or advertise any information pertaining to this Agreement, or to the collaboration hereunder, without the prior written approval of Teva, which approval will not be unreasonably withheld or delayed. Without derogating from the foregoing, disclosure required under Applicable Law will not be subject to the written approval of Teva; *provided, however*, that Company will give Teva sufficient notice, as far as practicable under law, of such required disclosure as to enable Teva time to object to such disclosure and will reasonably strive to implement any comments provided by Teva.

14.2. Proposed Publications. After the Initial Investment with respect to a Target and until the earlier to occur of the Expiration of the License Option or termination of Teva's applicable rights under a License with respect to the Target, Company will not submit for written or oral publication any manuscript, abstract or the like relating to Company IP or any Licensed Compound with respect to the Target in the Licensed Field without the prior written consent of Teva. Prior to Exercise of the applicable License Option and after termination of its applicable rights under a License, Teva will not submit for written or oral publication any manuscript, abstract or the like relating to Company IP, any Licensed Compound or any Licensed Product with respect to the Target without the prior written consent of Company. If a Party desires to submit a publication during the prohibited window, it shall first deliver to the other Party, for the other Party's prior written consent, the proposed publication or an outline of the oral disclosure at least thirty (30) days prior to planned submission or presentation.

15. Independent Contractors

15.1. Status. In performing under and with respect to this Agreement, the Parties will be independent contractors and their relationship will not constitute a partnership, joint venture or agency. Neither Party will have the authority to make any statements, representations or commitments of any kind, or to take any action, which will be binding on the other Party, without the prior consent of such other Party.

15.2. Responsibility. Each Party agrees that its employees, officers, agents, subcontractors, consultants, and/or any other person or entity acting on its behalf, individually or collectively, will be the sole responsibility of such Party and will not be considered at any time as employees of the other Party and will not have any claims against the other Party whatsoever.

16. Miscellaneous Payment and Tax Provisions

16.1. Overdue Payments. Any payments under this Agreement that are overdue shall bear interest at the six (6) month LIBOR rate for the first business day of each month plus three (3) percentage points or the maximum permitted by applicable law, whichever is less.

16.2. Withholding. If Applicable Laws require that taxes be withheld from any amounts due to Company under this Agreement, Teva will: (a) deduct these taxes from the remittable amount; (b) pay the taxes to the proper taxing authority; and (c) deliver to Company a statement including the amount of tax withheld and justification therefore, and such other information as may be necessary for tax credit purposes. For the avoidance of doubt, any amounts due to Company under this Agreement will be reduced by any withholding or similar taxes applicable to such payment, such that the actual maximum payment by Teva will not exceed the amounts or the rates provided in this Agreement.

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17. Assignment

This Agreement may not be assigned or otherwise transferred by a Party without the prior written consent of the other Party; *provided, however*, that either Party may assign this Agreement (in whole or in part) (a) to an Affiliate (provided that such assignment shall be null and void if it ceases being an Affiliate) and (b) in connection with the sale of all or substantially all of its assets or in connection with a merger, consolidation or similar transaction; *provided, however*, where such assignee is a competitor of Teva or where such successor entity is controlled by a competitor of Teva, Teva (i) shall not be obligated to disclose any Confidential Information pertaining to Teva's Intellectual Property (except in connection with a sublicense pursuant to Section 9.3.1) or business plans to such assignee or successor entity during the remainder of the Term, (ii) may request the immediate return or destruction of Teva's Confidential Information previously disclosed to Company pertaining to Teva's Intellectual Property (except in connection with a sublicense pursuant to Section 9.3.1) or business plans, and (iii) may terminate the JRC at its sole discretion. The assignee shall agree in writing to be bound by the provisions of this Agreement. Any such assignment shall not relieve the Party of its responsibilities for performance of its obligations under this Agreement and shall not increase, in the case of an assignment to an Affiliate, the taxes to be withheld pursuant to Section 16.2. This Agreement shall be binding upon and inure to the benefit of the successors and permitted assignees of the Parties. Any assignment not in accordance with this Agreement shall be null and void.

18. Amendments

No amendment of this Agreement will be valid unless it is in writing and signed by, or on behalf of, each of the Parties.

19. Severance

Should any part or provision of this Agreement be held unenforceable or in conflict with the Applicable Laws of any applicable jurisdiction, the invalid or unenforceable part or provision will, provided that it does not go to the essence of this Agreement, be replaced with a revision which accomplishes, to the extent possible, the original commercial purpose of such part or provision in a valid and enforceable manner, and the balance of this Agreement will remain in full force and effect and binding upon the Parties.

20. Entire Agreement

This Agreement, the License Option Agreement and the Share Purchase Agreement and their respective annexes, exhibits and schedules constitute the entire agreement between the Parties with respect to its subject matter and supersede all prior agreements, arrangements, dealings or writings between the Parties. The English original of this Agreement will prevail over any translations thereof.

21. Waiver

No waiver of a breach or default hereunder will be considered valid unless in writing and signed by the Party giving such waiver and no such waiver will be deemed a waiver of any subsequent breach or default of the same or similar nature.

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22. Further Assurances

Each Party agrees to execute, acknowledge and deliver such further documents and instruments and do any other acts, from time to time, as may be reasonably necessary, to effectuate the purposes of this Agreement.

23. Third Parties

None of the provisions of this Agreement will be enforceable by any person who is not a party to this Agreement.

24. Notices

Any notice, declaration or other communication required or authorized to be given by any Party under this Agreement to the other Party will be in writing in the English language and will be personally delivered, sent by facsimile transmission (with a copy by ordinary mail in either case) or dispatched by courier addressed to the other Party at the address stated below or such other address as will be specified by the Parties by notice in accordance with the provisions of this Section 24. Any notice will operate and be deemed to have been served, if personally delivered, sent by fax or by courier on the next following Business Day.

Teva's and Company's addresses for the purposes of this Agreement will be as follows:

If to Teva:

Teva Pharmaceutical Industries Ltd.
Innovative Ventures
Attention: Dr. Aharon Schwartz
16 Basel Street, Petah Tiqva 49131, Israel
Telephone: 972-3-9267277
Facsimile: 972-3-9267581

With a copy (that will not constitute notice) to:
Teva Pharmaceutical Industries Ltd.
Attention: General Counsel, Legal Department
5 Basel Street, Petah Tiqva 49131, Israel
Telephone: 972-3-926-7297
Facsimile: 972-3-926-7429

If to Company:

Company: Cocrystal Discovery, Inc.
Attention: Chief Executive Officer
19805 North Creek Parkway
Bothell, WA 98011
Telephone: (206) 605-6911
Facsimile: (425) 398-7178

With a copy (that will not constitute notice) to:
Perkins Coie LLP
1201 3rd Avenue, Suite 4800
Seattle, WA 98101
Telephone: (206) 359-8660
Facsimile: (206) 359-9660

[*] Designates portions of this document that have been omitted pursuant to a request for Confidential Treatment filed separately with the Commission.

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25. Governing Law and Jurisdiction

This Agreement will be governed by and construed under the substantive laws of the State of New York, U.S.A., without reference to any choice of law principles thereof that would cause the application of the laws of a different jurisdiction. All actions, suits or proceedings arising out of or relating to this Agreement will be heard and determined in any state or federal court having jurisdiction of the Parties and the subject matter of the dispute, sitting in the Southern District of New York, Borough of Manhattan if initiated by Company and sitting in the Western District of Washington if initiated by Teva, and the Parties hereby irrevocably submit to the exclusive jurisdiction of such courts in any such action or proceeding and irrevocably waive any defense of an inconvenient forum to the maintenance of any such action or proceeding. Each Party hereby irrevocably waives personal service of process and consents to process being served in any such suit, action or proceeding by notice in accordance with Section 24 (with evidence of delivery) to such Party at the address in effect for notices to it under this Agreement and agrees that such service will constitute good and sufficient service of process and notice thereof. Nothing contained herein will be deemed to limit in any way any right to serve process in any manner permitted by law. Prior to commencement of any legal action, suit or proceeding arising out of or relating to this Agreement, the Parties will first present their dispute to the Executive Officers of Teva and Company for resolution. If the Executive Officers are unable to resolve the dispute within thirty (30) days through good faith negotiations, either Party may then seek resolution of the dispute at law or equity in the forum set forth above.

26. Force Majeure

- 26.1. If either Party is prevented from fulfilling its obligations under this Agreement by reason of any supervening event beyond its control (including but not limited to war, national emergency, flood, earthquake, strike or lockout), the Party unable to fulfill its obligations (the "**Incapacitated Party**") will immediately give notice of this incapacity and the period during which such incapacity is expected to continue to the other Party and will do everything reasonably within its power to resume full performance of its obligations as soon as possible.
- 26.2. Subject to compliance with the requirements of Section 26.1, the Incapacitated Party will not be deemed to be in breach of its obligations under this Agreement during the period of incapacity in the circumstances referred to in Section 26.1 and the other Party will continue to perform its obligations under this Agreement save only in so far as they are dependent on the prior performance by the Incapacitated Party of its obligations which it cannot perform during the period of incapacity.

27. Interpretation

The Parties have had the opportunity to have this Agreement reviewed by an attorney; therefore, neither this Agreement nor any provision hereof will be construed against the drafter of this Agreement.

28. Counterparts

This Agreement may be executed in any number of counterparts (including counterparts transmitted by fax or by portable document format), each of which will be deemed to be an original, but all of which taken together will be deemed to constitute one and the same instrument.

[*] Designates portions of this document that have been omitted pursuant to a request for Confidential Treatment filed separately with the Commission.

IN WITNESS WHEREOF, each Party has caused this Agreement to be executed by its duly authorized representatives:

| TEVA PHARMACEUTICAL INDUSTRIES LIMITED | COCRYSTAL DISCOVERY, INC. |
|--|--|
| signature: _____ name: _____ <i>designation:</i> _____ | signature: _____ name: _____ <i>designation:</i> _____ |
| signature: _____ name: _____ <i>designation:</i> _____ | |

[*] Designates portions of this document that have been omitted pursuant to a request for Confidential Treatment filed separately with the Commission.

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Annex 1

Company IP
With Respect to the First Target

| Country | Appln No. | Appln Date | Title | Publn No. | Publn Date | Patent No. | Patent Date | Status |
|---------|-----------|------------|-------|-----------|------------|------------|-------------|--------|
| [*] | [*] | [*] | [*] | [*] | [*] | [*] | [*] | [*] |
| [*] | [*] | [*] | [*] | [*] | [*] | [*] | [*] | [*] |

[*] Designates portions of this document that have been omitted pursuant to a request for Confidential Treatment filed separately with the Commission.

Annex 2

Joint Research Committee Members

Company Members:

Sam Lee, Ph.D.

Roger Kornberg, Ph.D.

Teva Members:

Jonathan Schapiro

[]

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Annex 3

[*]

EXCLUSIVE LICENSE OPTION AGREEMENT

between

TEVA PHARMACEUTICAL INDUSTRIES LIMITED

and

COCRYSTAL DISCOVERY, INC.

Dated as of September 13, 2011

[*] Designates portions of this document that have been omitted pursuant to a request for Confidential Treatment filed separately with the Commission.

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ANNEXES

Annex 1 Company IP

[*] Designates portions of this document that have been omitted pursuant to a request for Confidential Treatment filed separately with the Commission.

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EXCLUSIVE LICENSE OPTION AGREEMENT

THIS EXCLUSIVE LICENSE OPTION AGREEMENT (the “*Agreement*”) is made and entered into as of September 13, 2011 (“*Effective Date*”) by and between:

Teva Pharmaceutical Industries Limited, a corporation incorporated under the laws of Israel, located at 5 Basel Street, Petach Tiqva 49131, Israel (“*Teva*”), and

Cocrystal Discovery, Inc., a corporation incorporated under the laws of Delaware, located at 19805 North Creek Parkway, Bothell, WA 98011 (“*Company*”).

Teva and Company may be individually referred to as a “*Party*” and together as the “*Parties*.”

RECITALS

WHEREAS, Company is focused on the discovery and development of novel therapeutics;

WHEREAS, the Parties agree that Teva will have exclusive options, but not the obligation, to be granted licenses to, *inter alia*, any novel therapeutics developed during the R&D Program with respect to particular Targets (as such terms are defined herein);

WHEREAS, concurrently with the execution hereof, the Parties will enter into a share purchase agreement for the acquisition by Teva of equity in Company (the “*Share Purchase Agreement*”) and a research and collaboration agreement for the development of therapeutics with respect to particular Targets (as defined below) (the “*Research Agreement*”); and

WHEREAS, the Parties agree that in the event Teva exercises the aforementioned exclusive options to be granted Licenses (as defined below), Company will grant Teva and Teva will acquire from Company, Licenses in accordance with the terms and subject to the conditions of this Agreement.

AGREEMENT

NOW, THEREFORE, in consideration of the mutual representations, warranties and covenants contained herein, and for other good and valuable consideration the receipt and sufficiency of which are hereby acknowledged, the Parties hereby agree as follows:

1. Definitions and Interpretation

1.1. Preamble and Annexes. The foregoing preamble and Annexes hereto form an integral part of this Agreement.

1.2. Definitions. In this Agreement the terms below will bear the respective meanings assigned to them below and other capitalized terms will bear the respective meanings assigned to them in their parenthetical definition, unless specifically stated otherwise:

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- 1.2.1. “**Affiliate**” will mean, with respect to either Party, any person, organization or entity directly or indirectly controlling, controlled by or under common control with, such Party. For purposes of this definition only, “control” of another person, organization or entity will mean the ability, directly or indirectly, to direct the activities of the relevant entity, and will include, without limitation (a) ownership or direct control of fifty percent (50%) or more of the outstanding voting stock or other ownership interest of the other organization or entity, or (b) direct or indirect possession of the power to elect or appoint fifty percent (50%) or more of the members of the governing body of the organization or other entity. Phillip Frost and Opko Health, Inc. shall not be deemed to be Affiliates of Company.
- 1.2.2. “**Applicable Law**” will mean the applicable laws, rules, regulations, guidelines and requirements related to the Parties and this Agreement, including those related to the development, registration, manufacture, importation, marketing, sale, and offer for sale of Licensed Products in the Territory, including, without limitation, those of the FDA.
- 1.2.3. “**Bankruptcy Code**” will have the meaning ascribed to it in Section 11.2.2.
- 1.2.4. “**Business Day**” will mean any day, except that if an activity to be performed or an event to occur falls on a Friday, Saturday, Sunday or any other day which is recognized as a national holiday in New York, New York or Israel, then the activity may be performed or the event may occur on the next day that is not a Friday, Saturday, Sunday or such nationally recognized holiday.
- 1.2.5. “**Calendar Quarter**” will mean a three (3) consecutive month period ending on March 31, June 30, September 30 or December 31.
- 1.2.6. “**Calendar Year**” will mean the twelve (12) month period beginning January 1 and ending December 31.
- 1.2.7. “**Change of Control**” will mean the occurrence of any of the following: (a) any Third Party that was not, on the Effective Date, the beneficial owner, directly or indirectly, of more than fifty percent (50%) of the voting securities of a Party becomes (after the Effective Date) the beneficial owner, directly or indirectly, of more than fifty percent (50%) of the voting securities of the Party whether as a result of issuances, redemptions, repurchases or transfers of voting equity or otherwise; *provided, however* that for the purposes of this subsection (a), Phillip Frost and Opko Health, Inc. and their respective Affiliates shall be deemed to own over fifty percent (50%) of the voting securities of Company as of the Effective Date and accordingly, their acquisition of any additional voting securities of Company (whether as a result of issuances, redemptions, repurchases or transfers of voting equity or otherwise) shall not result in a Change of Control pursuant to this subsection (a); (b) a Party is involved in a merger, reorganization, consolidation or similar transaction (or series of transactions) with a Third Party, and the shareholders of the Party who are the beneficial owners of at least fifty percent (50%) of the outstanding voting securities of the Party immediately prior to such transaction(s) are the beneficial owners of less than fifty percent (50%) of the outstanding voting securities of the Party or the surviving or successor entity as a result of such transaction(s); or (c) a Party sells, transfers or otherwise disposes of all or substantially all of its assets to a Third Party.

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- 1.2.8. “**Claims**” will have the meaning ascribed to it in Section 12.1.1.
- 1.2.9. “**Clinical Milestone**” will have the meaning ascribed to it in Section 6.1.1.
- 1.2.10. “**Clinical Milestone Payment(s)**” will have the meaning ascribed to it in Section 6.1.1.
- 1.2.11. “**Combination Product**” will mean a pharmaceutical product in final dosage form for use in the Licensed Field that contains (a) a Licensed Compound as an active therapeutic ingredient and (b) at least one other active therapeutic ingredient which, if administered independently of the Licensed Compound, would have a clinical effect.
- 1.2.12. “**Commercial Launch Milestone**” will have the meaning ascribed to it in Section 6.1.2.
- 1.2.13. “**Commercial Launch Milestone Payment(s)**” will have the meaning ascribed to it in Section 6.1.2.
- 1.2.14. “**Commercially Reasonably Efforts**” will mean exerting good faith diligent efforts as would normally be devoted to the applicable task using the efforts that Teva would reasonably devote to a product of similar market potential or profit potential and at similar status of development.
- 1.2.15. “**Company**” will have the meaning ascribed to in the preamble to this Agreement.
- 1.2.16. “**Company Indemnitees**” will have the meaning ascribed to it in Section 12.1.1.
- 1.2.17. “**Company IP**” will mean, with respect to a Target, all IP Controlled by Company or its Affiliates as of the Effective Date and any time during the Term prior to a Change of Control of Company, to the extent necessary or useful in making, using or selling a compound that inhibits a Target and that has a substantial therapeutic effect through such inhibition; *provided, however*, that Company IP shall not include any IP Controlled by Company or its Affiliates that relates to the discovery of a compound (e.g., laboratory tools, including software).
- 1.2.18. “**Confidential Information**” will have the meaning ascribed to it in Section 15.1.
- 1.2.19. “**Control**” will mean with respect to any Patent or other Intellectual Property, possession of the right, whether directly or indirectly, by sole or joint ownership, by license or sublicense, or by any other right, to grant a license, sublicense or other right to or under such Patent or other Intellectual Property without violating the terms of any agreement or other arrangement with any Third Party.
- 1.2.20. “**Discloser**” will have the meaning ascribed to it in Section 15.3.1.
- 1.2.21. “**Effective Date**” will have the meaning ascribed to it in the preamble of this Agreement.

[*] Designates portions of this document that have been omitted pursuant to a request for Confidential Treatment filed separately with the Commission.

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- 1.2.22. **“Executive Officers”** will mean (a) in the case of Company, a senior executive (*i.e.*, an executive at the corporate vice president or higher level) with appropriate decision-making authority designated by the Company, or (b) in the case of Teva, a senior executive (*i.e.*, an executive at the corporate vice president level or higher) with appropriate decision-making authority designated by Teva, for example, the Chief Scientific Officer of Teva.
- 1.2.23. **“Exercise of the License Option,” “to Exercise the License Option,” “has Exercised the License Option,”** and related variations will mean with respect to a Target that Teva, as of a certain date, has paid or is paying Company the Second License Payment within the time required; *provided, however*, that there has not been an earlier Expiration of the License Option.
- 1.2.24. **“Expiration of the License Option”** will mean with respect to a Target that (a) Teva has not made the Initial Investment, Second Investment, First License Payment or Second License Payment within the time required or has given written notice to Company of its decision not to Exercise the License Option or (b) the R&D Program has been terminated early pursuant to the terms of the Research Agreement, whichever occurs first.
- 1.2.25. **“FDA”** will mean the Food and Drug Administration of the United States Department of Health and Human Services and any successor agency thereto having substantially the same functions and authority.
- 1.2.26. **“First Commercial Sale”** will mean, on a country-by-country basis, the first commercial sale of each Licensed Product to a Third Party that is not a Sublicensee for ultimate end use or consumption by a patient in a country, after obtaining all necessary regulatory and other approvals, including any pricing or reimbursement approvals which may be required in order to commercially sell and market the Licensed Product in such country. For the avoidance of doubt, the sale of a Licensed Product for experimental, testing, compassionate or promotional purposes, use in clinical studies and so called “treatment IND sales” and “named patient sales” will not constitute a commercial sale for purposes of this definition.
- Notwithstanding anything contained in the foregoing paragraph to the contrary, for the purposes of this definition, the transfer of the Licensed Product by Teva or one of its Affiliates or Sublicensees to another Affiliate of Teva or Sublicensee is not a commercial sale and will not be taken into account for the purposes of this definition.
- 1.2.27. **“First License Payment”** will have the meaning ascribed to it in Section 3.1.1(a).
- 1.2.28. **“Generic Launch Date”** will mean, on a country-by-country basis, (a) with respect to sales in the United States, the Primary EU Markets, Japan and China, the date the aggregate sales of the Generic Product by a Third Party to other Third Parties (that are not its Affiliates or sublicensees) for ultimate end use or consumption by a patient in the subject country have exceeded [*], and (b) with respect to sales in any other country, the date of the first sale by a Third Party to other Third Parties (that are not its Affiliates or sublicensees) of a Generic Product for ultimate end use or consumption by a patient in the subject country.

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- 1.2.29. **“Generic Product”** will mean, on a country-by-country and Licensed Product-by-Licensed Product basis, a product (a) having the same composition of matter as the subject Licensed Product and which has (i) a marketing approval as a generic product of the Licensed Product by the regulatory authorities, or (ii) any similar approval in any country, which approval is based on reference to the regulatory approval of the Licensed Product in such country (or, if applicable and permitted by applicable law in the country, regulatory approval in another country), and (b) that (i) following the Generic Launch Date of such Generic Product, the annual Net Sales of the Licensed Product have declined in any [*] consecutive Calendar Quarters by greater than [*] compared to the average annual Net Sales of the Licensed Product during the [*] consecutive Calendar Quarters completed just prior to the Generic Launch Date, or (ii) within one (1) year following the Generic Launch Date of such Generic Product, it attains a market share of more than [*] of the relevant market for the Licensed Product, as determined by reference to IMS or a similar source commonly recognized in the industry. A product will not be considered a Generic Product, however, if Teva, its Affiliates, its Sublicensees or anyone acting on their behalf was involved in its approval, manufacturing or commercialization.
- 1.2.30. **“Incapacitated Party”** will have the meaning ascribed to it in Section 28.1.
- 1.2.31. **“IND”** will mean an Investigational New Drug application, as described in Section 312.23 of Title 21 of the Code of Federal Regulations (21 C.F.R. § 312.23), filed for purposes of obtaining FDA approval to conduct Phase I Clinical Trials in accordance with the requirements of the United States Food, Drug and Cosmetic Act of 1938, as amended, and the rules and regulations promulgated thereunder, including all supplements and amendments thereto relating to the use of the Licensed Product.
- 1.2.32. **“Indication”** will mean any indication encompassed in the Licensed Field.
- 1.2.33. **“Initial Investment”** will have the meaning set forth in the Research Agreement.
- 1.2.34. **“Intellectual Property”** or **“IP”** will mean all intellectual property rights that are vested or contingent, or arise in the future, including but not limited to: (a) all inventions, materials, compounds, compositions, substances, methods, processes, techniques, know-how, technology, data, information, discoveries and other results of whatsoever nature, whether or not patentable, and any Patents, copyrights, proprietary intellectual or industrial rights directly or indirectly deriving therefrom; (b) any work of authorship, regardless of copyrightability, all compilations, all copyrights; and (c) all trade secrets, Confidential Information and proprietary processes.
- 1.2.35. **“Joint Development Committee”** and **“JDC”** will have the meaning ascribed to them in Section 2.1.
- 1.2.36. **“License”** will have the meaning ascribed to it in Section 4.1.
- 1.2.37. **“License Option”** will have the meaning ascribed to it in Section 3.1.1.

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- 1.2.38. **“Licensed Compound”** will mean a compound that inhibits the Target and that has a substantial therapeutic effect through such inhibition, and for which Teva has Exercised the License Option pursuant to the License Option Agreement, and any derivative, future development or variation thereof that has such inhibitory properties, and that is comprised of, developed from, based on, or otherwise contain or incorporate the Company IP.
- 1.2.39. **“Licensed Field”** will mean all therapeutic applications in humans of each Licensed Compound.
- 1.2.40. **“Licensed Product”** will mean any pharmaceutical preparation in final dosage form for use in the Licensed Field that contains, as an active therapeutic ingredient, a Licensed Compound.
- 1.2.41. **“Net Sales”** will mean the total amounts invoiced by Teva, its Affiliates and its Sublicensees for the sale of Licensed Products for a Target to Third Parties, less the following items (as they apply to the sale of the Licensed Product): (a) quantity and/or cash discounts actually allowed or taken; (b) customs, duties, sales, withholding and similar taxes, if any, imposed on the Licensed Product, to the extent applicable to such sale and included in the invoice with respect to such sale; (c) amounts actually allowed or credited by reason of rejections, return of goods (including as a result of recalls), any retroactive price reductions or allowances specifically identifiable as relating to the Licensed Product (including those resulting from inventory management or similar agreements with wholesalers); (d) amounts incurred resulting from government-mandated rebate programs, including programs mandated by any agency thereof; (e) Third Party (i) rebates, (ii) freight, postage, shipping and applicable insurance charges, to the extent same are separately itemized on invoices and actually paid as evidenced by invoices or other appropriate supporting documentation, and (iii) patient discount programs, administrative fees and chargebacks or similar price concessions related to the sale of the Licensed Product; (f) bad debt recognized by Teva for accounting purposes as not collectible; provided, however, that if a bad debt allowance is subsequently reduced, such reduction will be added back to the total amount invoiced for purposes of calculating “Net Sales;” (g) royalties or similar compensation paid to Third Parties (that are not Sublicensees) by Teva, its Affiliates, or its Sublicensees with respect to the use of such Third Party’s IP rights; (h) reasonable quantities of samples verified by signed receipts, provided the quantity of Licensed Product actually utilized for purposes of such samples during any given year of this Agreement will not exceed five percent (5%) of the volume of annual Licensed Product sales; and (i) to the extent agreed by the Parties in writing, such agreement not to be unreasonably withheld, any other specifically identifiable appropriate allowances or deductions as may be similar to those deductions listed above. All of the foregoing will be calculated in accordance with generally accepted accounting principles in the United States, consistently applied. Any Licensed Product sold or otherwise transferred or disposed of in other than an arm’s length transaction or for other property (e.g., barter) shall be deemed invoiced at its fair market price. For example, lower prices and greater discounts shall not be established for a Licensed Product for the purpose of benefiting the sale of other products and services of Teva, its Affiliates or its Sublicensees.

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Notwithstanding anything contained in the foregoing paragraph to the contrary, for the purposes of this definition, the transfer of the Licensed Product by Teva or one of its Affiliates to another Affiliate of Teva or a Sublicensee is not a sale. In such cases, Net Sales will be determined based on the total amounts invoiced by Teva, its Affiliates and its Sublicensees with respect to the Licensed Product first sold by them to independent Third Parties, less the deductions permitted herein.

Net Sales will be further adjusted and reduced in the event the Licensed Product is sold as part of a Combination Product, as set forth in Section 6.4.

If a Licensed Product is sold or supplied in a currency other than U.S. Dollars, the sum of Net Sales will first be determined in the currency in which the proceeds of such Licensed Product was invoiced and then converted into equivalent United States Dollars at the middle market rate of such foreign currency as quoted in the Financial Times at the close of business of the last Business Day of the Calendar Quarter.

- 1.2.42. **“Party”** and **“Parties”** will have the meaning ascribed to them in the preamble to this Agreement.
- 1.2.43. **“Patents”** will mean all patents and patent applications issued or pending in any country or jurisdiction in the Territory, including provisional patent applications, together with any extensions, reissues, substitutions, divisions, continuations or continuations-in-part, reexaminations, revisions or renewals thereof.
- 1.2.44. **“Person”** will mean an individual, sole proprietorship, partnership, limited partnership, limited liability partnership, corporation, limited liability company, business trust, joint stock company, trust, unincorporated association, joint venture or other similar entity or organization, including a government or political subdivision, department or agency of a government.
- 1.2.45. **“Phase I Clinical Trial”** will mean, as to a particular product for a particular indication, the initial study in humans of the safety of such product for such indication, which is prospectively designed to generate data to support commencing a Phase II Clinical Trial of such product for such indication.
- 1.2.46. **“Phase II Clinical Trial”** will mean, as to a particular product for a particular indication, the initial study in humans of the safety, dose ranging and efficacy of such product for such indication, which is prospectively designed to generate data to support commencing a Phase III Clinical Trial of such product for such indication.
- 1.2.47. **“Phase III Clinical Trial”** will mean, as to a particular product for a particular indication, the initial study in humans of the safety and efficacy of such product for such indication, which is prospectively designed to demonstrate statistically whether such product is safe and effective for use for such indication in order to file an application for regulatory approval with respect to such product for such indication.
- 1.2.48. **“Primary EU Markets”** will mean the United Kingdom, Germany, France, Italy and Spain.

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- 1.2.49. **“R&D Program”** will have the meaning set forth in the Research Agreement.
- 1.2.50. **“Recipient”** will have the meaning ascribed to it in Section 15.3.1.
- 1.2.51. **“Relevant Proportion”** will have the meaning ascribed to it in Section 6.4.
- 1.2.52. **“Representatives”** will have the meaning ascribed to it in Section 15.8.
- 1.2.53. **“Research Agreement”** will have the meaning set forth in the recitals.
- 1.2.54. **“Royalty Payments”** will have the meaning ascribed to it in Section 6.2.
- 1.2.55. **“Royalty Term”** will mean on a country-by-country and Licensed Product-by-Licensed Product basis the period commencing upon the First Commercial Sale of each Licensed Product in the relevant country and expiring on the later of (a) ten (10) years after such date, or (b) the expiry in that country of a Valid Patent Claim covering the Licensed Product.
- 1.2.56. **“Sales Milestone”** will have the meaning ascribed to it in Section 6.1.3.
- 1.2.57. **“Sales Milestone Payment(s)”** will have the meaning ascribed to it in Section 6.1.3.
- 1.2.58. **“Second Investment”** will have the meaning set forth in the Research Agreement.
- 1.2.59. **“Second License Payment”** will have the meaning ascribed to it in Section 3.1.1(b).
- 1.2.60. **“Share Purchase Agreement”** will have the meaning ascribed to it in the recitals to this Agreement.
- 1.2.61. **“Sublicense”** will mean any right granted, license given, or agreement entered into, by Teva, its Affiliates and/or its Sublicensees to or with any other person or entity (whether or not such grant of rights, license given or agreement entered into is described as a sublicense or otherwise), permitting any use of the Company IP (or any part thereof), as licensed hereunder to Teva or any right to research, develop, make, have made, register, import, manufacture, use, sell, offer for sale, produce, sublicense, commercialize and/or distribute Licensed Products. The term **“Sublicensee”** will be construed accordingly.
- 1.2.62. **“Target”** will have the meaning set forth in the Research Agreement.
- 1.2.63. **“Term”** will have the meaning ascribed to it in Section 11.1, on a Target-by-Target basis.
- 1.2.64. **“Territory”** will mean worldwide.

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- 1.2.65. “**Teva**” will have the meaning ascribed to it in the preamble to this Agreement.
- 1.2.66. “**Teva Indemnitees**” will have the meaning ascribed to it in Section 12.2.1.
- 1.2.67. “**Third Party**” will mean a person or entity who or which is neither a Party nor an Affiliate of a Party.
- 1.2.68. “**Valid Patent Claim**” will mean a claim within the Company IP of (a) an issued and unexpired patent which has not been revoked and held unenforceable, expired, lapsed, been cancelled or abandoned, or been dedicated to the public, disclaimed, or held unenforceable, unpatentable or invalid by a decision of a court or other governmental agency of competent jurisdiction, unappealable or unappealed within the time allowed for appeal, and which has not been disclaimed, denied or admitted to be invalid or unenforceable through reexamination, reissue, disclaimer or otherwise, or (b) a pending patent application that has not been finally abandoned or finally rejected and which has been pending for no more than seven years and six months from the date of filing of the earliest priority patent application to which such pending patent application is entitled to claim benefit and which has a reasonable bona-fide basis for patentability. For clarity, a claim of an issued patent that ceased to be a Valid Patent Claim before it issues because it had been pending for more than seven years and six months, but subsequently issues and is otherwise described by clause (a) of the foregoing sentence will again be considered to be a Valid Patent Claim once it issues. The same principle will apply in similar circumstances such as if, for example (but without limitation), a final rejection of a claim is overcome or prosecution thereof is revived.

1.3. Rules of Interpretation for this Agreement

- 1.3.1. In this Agreement, words importing the singular will include the plural and *vice-versa*, words importing any gender will include all other genders, and references to persons will include partnerships, corporations and unincorporated associations.
- 1.3.2. The words “including” and “includes” mean including, without limiting the generality of any description preceding such terms.
- 1.3.3. In the event of any discrepancy between the terms of this Agreement and any of the Annexes hereto, the terms of this Agreement will prevail.
- 1.3.4. Section, paragraph and annex headings will not affect the interpretation of this Agreement.

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2. Joint Development Committee

- 2.1. Establishment and Membership.** As soon as practicable following the Exercise of the License Option by Teva with respect to a Target, Company and Teva will appoint a Joint Development Committee to share information regarding the development and commercialization of a Licensed Product and each subsequent Licensed Product with respect to such Target (the “*Joint Development Committee*” or “*JDC*”). Each Party will designate two (2) representatives with appropriate expertise to serve as members of the JDC. Each Party may replace its representatives on the JDC at any time upon written notice to the other Party. Teva will select from its representatives the chairperson for the JDC. From time to time during the term of any chairperson, Teva may change the representative who will serve as chairperson on written notice to Company. The initial members of the JDC will be designated by the Parties upon the first Exercise of a License Option.
- 2.2. Duties.** The JDC will meet to discuss the status of the development and commercialization of each Licensed Product and perform such other functions as the Parties may mutually agree in writing.
- 2.3. Meetings.** The JDC will meet at least two (2) times per year, or as otherwise agreed to by the Parties, with the location of such meetings alternating between locations designated by Teva and locations designated by Company. Each Party will be responsible for all travel and related costs and expenses for its members and other representatives to participate in or attend committee meetings. The chairperson of the JDC will be responsible for calling meetings on no less than fifteen (15) Business Days notice. Meetings may be held in person, by telephone, or by video conference call, at the discretion of the chairperson.
- 2.4. Decision Making.** The JDC has no decision-making authority, and will act solely as a forum for discussion and information exchange with respect to the development and commercialization of the Licensed Products. Teva will have sole decision-making authority with respect to all development and commercialization matters for each Licensed Product.
- 2.5. Dismissal of JDC.** The Parties will have the right to disband the JDC upon mutual agreement. If the JDC is not disbanded pursuant to such mutual agreement, and absent a mutual written agreement by the Parties to continue the JDC, the JDC for a particular Target will automatically disband immediately following the First Commercial Sale of the Licensed Product for the Target.
- 2.6. Limitation of Powers.** The JDC will have only the powers expressly assigned to it in this Agreement. All activities conducted by the JDC will be consistent with and subject to the provisions of this Agreement, and the JDC will not have any power to take any action that conflicts with the terms of this Agreement or to amend, modify or waive compliance with any of the terms of this Agreement.

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3. Option to License With Respect to Each Target

3.1. License Option. After an Initial Investment and a Second Investment is made with respect to a Target pursuant to the terms of the Research Agreement, or such earlier date as Teva may desire (in which case, it will make or has already made the Initial Investment and Second Investment), Teva will have the option to license the Licensed Compound for the Target and its related Company IP in accordance with the terms and subject to the conditions of this Section 3.1.

3.1.1. Teva will have the sole and exclusive right, but not the obligation, to enter into the License as set forth in Section 4.1 by making two (2) payments of [*] each to Company, for a total of [*] (the “*License Option*”), as set forth below:

- (a) until forty-five (45) days after the earlier of (i) Company providing Teva with data that demonstrate and confirm (in Teva’s sole discretion) that Company has completed the work plan of research and development activities set forth in the R&D Program with respect to the Target or (ii) Company has incurred costs and expenses under the R&D Program with respect to the Target in an aggregate amount equal to the funds provided by Teva as an Initial Investment, Second Investment and, if applicable, pursuant to the extension of the R&D Program pursuant to Section 4.1.6 of the Research Agreement with respect to the Target, Teva will have the option but not the obligation to make a first payment of [*] to Company (the “*First License Payment*”);
- (b) until six (6) months after the date of the First License Payment (which shall have been made within the time required), Teva will have the option but not the obligation to make a second payment of [*] to Company (the “*Second License Payment*”), thereby exercising the License Option and entering into the License as set forth in Section 4.1. The grant of the License to Teva will automatically become effective as of the date of the payment of the Second License Payment to Company; and
- (c) upon request made by Teva at least thirty (30) days in advance of the date of the First License Payment or Second License Payment, Company will provide to Teva at least ten (10) days in advance of such date a written confirmation that the representations and warranties of Company in Section 10.2, except as set forth in a disclosure schedule delivered in connection therewith, are true and correct as of the date of the confirmation.

3.1.2. The License Option with respect to each Target is independent and may be exercised by Teva regardless of whether the License Option for any other Target is exercised.

3.1.3. In the event that Teva fails to make the payments set forth in Sections 3.1.1(a) and 3.1.1(b) within the time prescribed therein, the License Option with respect to the Target will terminate, Teva will lose all rights with respect to such Target under this Agreement, including rights to the associated Company IP and compounds, and Company will have no further obligation to Teva with respect to such Target. In such event, Teva will comply with, and be subject to, the provisions of Section 11.3.1 with respect to such Target.

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3.1.4. In the event that Teva desires to Exercise the License Option with respect to a Target before the due date for payment of the Second Investment with respect to such Target, Teva shall simultaneously make such Second Investment pursuant to the Research Agreement at the same time as the Exercise of the License Option; *provided, however*, the proceeds of such Second Investment shall be used as directed by Teva to fund additional research for such Target or the R&D Program applicable to additional Targets previously selected pursuant to the terms of the Research Agreement prior to the date of such Exercise of the License Option.

3.2. Information. After the Initial Investment and until Teva fails to make the Second Investment, First License Payment or Second License Payment with respect to a particular Target, Company shall make its data and records with respect to the compounds that could become a Licensed Compound upon Exercise of the License Option with respect to the Target available to Teva. Except for the purpose of evaluating whether to Exercise the License Option with respect to the Target, Teva shall not use any Confidential Information of Company or Company IP until it has Exercised the License Option.

4. License Grant

4.1. Grant. Subject to the terms of this Agreement and upon payment of the Second License Payment to Company with respect to a Target, Teva shall automatically be granted by Company a sole and exclusive (even as to Company) license to all rights in and to the Company IP related to the Target and associated Licensed Compound to make, use, offer to sell, sell and import, which includes, without limitation, the right to research, test, have made, develop, manufacture, market, commercialize, distribute, advertise, modify, improve, develop and export, Licensed Products for the Target in the Licensed Field in the Territory, with a right to sublicense at Teva's sole discretion (the "*License*").

4.2. Retained Rights; No Implied Licenses. All rights not specifically granted to Teva under this Agreement are reserved and retained by Company. Nothing in this Agreement shall be deemed to constitute the grant of any license or other right to either Party, to or in respect of any Intellectual Property, including trademarks, Confidential Information and other data of the other Party, except as set forth under this Agreement. After Exercise of the License Option for a Target, Teva shall not use the Company IP related to the Target for any purpose not licensed under the License.

4.3. No Conflict.

After the Initial Investment with respect to a Target and thereafter during the Term for the Target, Company will not directly or indirectly (through its Affiliates or otherwise), take any action or refrain from taking any action or enter into any conflicting obligations that would or could reasonably be expected to prevent Teva from (a) exercising its License Option with respect to the Target, (b) having the full benefit of the License with respect to the Target, or (c) having the full benefit of its exclusive rights in and to the Company IP.

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- 4.4. Sublicenses.** Teva will have the right to grant (whole or partial) Sublicenses with respect to its rights under Section 4.1, on terms and conditions consistent with the terms and conditions of this Agreement, and Teva will be entitled to determine the commercial terms of any such Sublicense; *provided, however*, that with respect to each Sublicense, (a) Teva will promptly notify Company upon signature, amendment or termination thereof and will provide Company with the name of the Sublicensee and the scope and territory of such Sublicense, (b) Teva will guarantee and be responsible for the making of all payments due, and the making of any reports under this Agreement with respect to Net Sales of Licensed Products by its Sublicensees and their compliance with all applicable terms of this Agreement, and (c) each Sublicensee agrees in writing to comply with the terms of this Agreement, including maintaining books and records pursuant to applicable laws and regulations and permitting Company to review such books and records in accordance with the terms of this Agreement. The grant of any Sublicenses will not relieve the Parties of or reduce their obligations to each other under this Agreement. The term of any Sublicense will be limited to the term of the License and will terminate upon the expiration or the termination of the License for any reason whatsoever; *provided, however*, upon termination of this Agreement pursuant to Section 11.2.2 for breach or bankruptcy of Teva and if the Sublicensee is not then in breach of any material provision of its Sublicense or this Agreement and is not, or has not been, an Affiliate of Teva, then Company will be obligated, at the joint request of the Sublicensee and Teva made within thirty (30) days after such termination of this Agreement, to enter into a new license agreement with such Sublicensee on substantially the same License terms as this Agreement, as further limited in scope, term or otherwise by the terms of the original Sublicense, which shall have been disclosed in full to Company. Teva will provide Company with an executed copy of each Sublicense agreement and any amendments thereto within thirty (30) days of execution of the relevant Sublicense agreement or amendment; *provided, however* that Teva may redact from such agreement any Confidential Information that Teva, in its reasonable discretion, determines is not material to Company.
- 4.5. Right to Subcontract.** Without limiting the foregoing or any of Teva's obligations under this Agreement relating to the grant of Sublicenses, Teva and its Affiliates will be entitled to subcontract the conduct or performance of any activity concerning the Licensed Products to a Third Party at Teva's sole discretion.
- 4.6. New Technology Acquisitions.** If, after the Effective Date, Company or its Affiliate acquires and Controls rights to Intellectual Property relating to a Licensed Compound or Target from a Third Party that are subject to a royalty or other payment obligation to the Third Party, and the rights to the Intellectual Property would be included in the definition of Company IP and License but for this Section 4.6, Company shall promptly disclose to Teva the obligations owing to the Third Party. Teva shall, unless it has elected not to receive rights to such Intellectual Property under the License, promptly reimburse Company or its Affiliate for any milestones, royalties or other amounts that become due and owing to the Third Party by reason of the inclusion of the Intellectual Property in the definition of Company IP; *provided, however*, that (a) any milestones, royalties or other amounts due Phillip Frost, Opko Health, Inc. and their respective Affiliates shall not exceed what would have been established in arm's length negotiations with an unrelated party and (b) the Parties shall negotiate after disclosure of the payment terms the appropriate and fair allocation of any milestones or other fixed amounts (i.e., not royalties) that may become due and owing because of the use of the Intellectual Property by Company or its Affiliate outside of the License. If Teva elects not to receive the rights to such Intellectual Property after such disclosure, then the Third Party's Intellectual Property shall be deemed excluded from the License and the definition of Company IP, but such Intellectual Property may not be used during the Term, directly or indirectly (through Affiliates or otherwise) by Company, in connection with a compound that inhibits the Target and that has a substantial therapeutic effect through such inhibition.

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5. Development and Commercialization of the Licensed Product

5.1. Teva to Conduct Development and Commercialization. Upon the grant of the License to Teva under Section 4.1, Teva will, at its own expense, use Commercially Reasonable Efforts to develop and commercialize Licensed Products.

- 5.1.1. Upon the Exercise of the License Option with respect to a Target, Company shall promptly disclose and deliver to Teva electronic copies or hard copies of all information, records, documents and data pertaining to the Company IP, including the Licensed Compound, related to the Target and in its possession that are necessary or useful in the development and commercialization activities pursuant to the License. To the extent that any of such information, records, data and documents comes into existence after the date of Exercise of the License Option, Company shall disclose and deliver the same to Teva as soon as reasonably practicable (but in no event later than thirty (30) days after it comes into existence).
- 5.1.2. In addition to the foregoing, for the period beginning with the Exercise of the License Option for each Target and ending three months thereafter, Company shall provide Teva with such technology transfer assistance as Teva may request from time to time in connection with the disclosures under Section 5.1.1. Teva shall reimburse Company for its reasonable costs and expenses for such assistance.
- 5.1.3. Teva will have sole responsibility for undertaking clinical development of the Licensed Products, including preparing, submitting, seeking approval of, maintaining and updating INDs, marketing approval applications, marketing approvals and other regulatory approvals and applications for regulatory approvals with respect to the Licensed Products, and Company will cooperate fully with Teva in connection with developing the Licensed Products and preparing and obtaining such applications and approvals. Teva shall reimburse Company for its reasonable costs and expenses for such cooperation and will solely own, apply for and be the holder or owner of record for all such applications and approvals relating to the Licensed Products.
- 5.1.4. Teva will be solely responsible for commercializing the Licensed Products, including manufacturing, marketing, promotion, patient assistance programs, medical education, price negotiation and setting, reimbursement negotiation, customer relations, sales, order processing, invoicing and collection, preparation of sales records and reports, warehousing, inventory management, logistics and distribution (including, without limitation, the handling of returns, market withdrawals, field corrections and recalls).
- 5.1.5. From and after the filing of an IND in the United States or a similar regulatory application in any other jurisdiction in the Territory, Teva will provide Company with notices regarding material regulatory filings and responses with respect to the Licensed Products, on a semi-annual basis for the preceding six (6) month period.

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- 5.1.6. After the Second License Payment with respect to a Target, Teva shall submit to Company a copy of its general quarterly development plan for the Licensed Products for the Target in the Territory. The development plan shall comprise the general plan for development studies and investigations that Teva or any of its Affiliates or Sublicensees propose to carry out with respect to the Licensed Products for the subsequent Calendar Year on a quarterly basis, which will be updated annually. Thereafter, Teva shall provide Company with an annual development status report on the development activities during the immediately preceding Calendar Year on a quarterly basis.
- 5.1.7. Prior to the submission of an application for regulatory approval in the first major country for a Licensed Product for a Target and at Company's request (not more frequently than once per Calendar Year), appropriate personnel at Teva or its Affiliates or Sublicensees (as the case may be) will arrange to meet and discuss with Company the activities and plans for the development and commercialization of the Licensed Product in the Territory.
- 5.1.8. After submission of an application for regulatory approval in the first major country with respect to a Target, Teva shall provide Company with a copy of its annual commercialization report describing the activities conducted during the immediately preceding Calendar Year.

5.2. No Representations Regarding Development or Commercialization. For the avoidance of doubt, nothing contained in this Agreement will be construed as a warranty by Teva that any efforts to be made by Teva pursuant to this Agreement, including, without limitation, any development or any commercialization to be carried out by Teva pursuant to this Agreement, will actually achieve their aims or any other results or succeed, and Teva makes no warranties whatsoever as to any results to be achieved in consequence of the carrying out of any such development, commercialization, efforts or activities. Furthermore, Teva makes no representation to the effect that the commercialization of the Licensed Products will succeed, or that Teva will be able to sell a particular quantity of the Licensed Products.

6. Milestones Payments and Royalty Payments

6.1. Milestone Payments

- 6.1.1. In consideration for the grant of the License with respect to a Target, Teva will make the following one-time payments to Company with respect to such Target (the "**Clinical Milestone Payments**") upon achievement of the following clinical milestones (each, a "**Clinical Milestone**"):
 - (a) Upon the first actual delivery or administration of the first Licensed Product with respect to the Target to the first patient (for any Indication) in a Phase I Clinical Trial, Teva will make a payment to Company of [*];
 - (b) Upon the first actual delivery or administration of the first Licensed Product with respect to the Target to the first patient (for any Indication) in a Phase II Clinical Trial, Teva will make a payment to Company of [*]; and

[*] Designates portions of this document that have been omitted pursuant to a request for Confidential Treatment filed separately with the Commission.

- (c) Upon the first actual delivery or administration of the first Licensed Product with respect to the Target to the first patient (for any Indication) in a Phase III Clinical Trial, Teva will make a payment to Company of [*].

For the sake of clarity: (a) the amounts listed above are the amounts to be paid by Teva for each Clinical Milestone that is first achieved by a Licensed Product for the Target (*i.e.*, there are only three Clinical Milestone Payments for a Target); (b) after a particular Clinical Milestone has been achieved, any additional clinical trials for the same milestone will not trigger an additional Clinical Milestone Payment regardless of the Indication for which the Licensed Product is delivered or administered and regardless of how many Licensed Products there are for the Target; and (c) any additional delivery or administration of a Licensed Product to a patient (*e.g.*, in additional trials or for additional Indications) in any clinical trial in any jurisdiction in the Territory will not trigger a Clinical Milestone Payment for the Target. Teva shall promptly notify Company upon achievement of each Clinical Milestone.

- 6.1.2. In consideration for the grant of the License with respect to a Target, Teva will make the following one-time payments to Company with respect to such Target (the “**Commercial Launch Milestone Payments**”) upon achievement of the following commercial launch milestones (each, a “**Commercial Launch Milestone**”):

- (a) Upon first achieving [*] in Net Sales with respect to the Target in the United States, Teva will make a payment to Company of [*];
- (b) Upon achieving [*] in Net Sales with respect to the Target in a Primary EU Market, Teva will make a payment to Company of [*];
- (c) Upon achieving [*] in Net Sales with respect to the Target in Japan, Teva will make a payment to Company of [*]; and
- (d) Upon achieving [*] in Net Sales with respect to the Target in China, Teva will make a payment to Company of [*].

For the sake of clarity: (a) the amounts listed above are the amounts to be paid by Teva for each Commercial Launch Milestone that is first achieved by a Licensed Product for the Target (*i.e.*, there are only four Commercial Launch Milestone Payments for a Target); and (b) after a particular Commercial Launch Milestone for a Target has been achieved, any additional launches for the same milestone will not trigger an additional Commercial Launch Milestone Payment. Teva shall promptly notify Company upon achievement of each Commercial Launch Milestone.

- 6.1.3. In consideration for the grant of the License with respect to a Target, Teva will make the following one-time payments to Company (the “**Sales Milestone Payments**”) upon achievement of the following sales milestones for the Territory (each, a “**Sales Milestone**”) for such Target:

- (a) the first time that aggregate annual Net Sales of Licensed Products for the Target in a Calendar Year equal [*], Teva will make a payment to Company of [*];

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(b) the first time that aggregate annual Net Sales of Licensed Products for the Target in a Calendar Year equal [*], Teva will make a payment to Company of [*]; and

(c) the first time that aggregate annual Net Sales of Licensed Products for the Target in a Calendar Year equal or exceed [*], Teva will make a payment to Company of [*].

For the sake of clarity, each of the Sales Milestone Payments will be paid by Teva only once for the Licensed Products for the Target in the first Calendar Year in which the aggregate Net Sales of such Licensed Products reach the Sales Milestones for the Territory.

6.2. Royalty Payments. In consideration for the grant of the License with respect to a Target and subject to Sections 6.3 and 6.4, Teva will pay to Company royalties at the following rates on aggregate annual Net Sales of Licensed Products for the Target in the Territory, during each Calendar Year during the Royalty Term (the “*Royalty Payments*”):

(a) [*] of the portion of annual Net Sales up to and including [*];

(b) [*] of the portion of annual Net Sales greater than [*];

(c) [*] of the portion of annual Net Sales greater than [*].

6.3. Royalty Reduction for Generic Products. During the Royalty Term that a Generic Product is commercialized and distributed in any particular country by a Third Party that is not a Sublicensee, the royalty rates payable with respect to Net Sales of the subject Licensed Product in such country shall be at rates half of those set forth in Section 6.2. The reductions set out in this Section 6.3 will be spread pro rata over each of the Net Sales levels set forth in Section 6.2.

6.4. Combination Products. Notwithstanding the foregoing, in the event that the Licensed Product is sold in the form of a Combination Product, the proportion of such Combination Product to be attributed to Net Sales that are subject to Royalty Payments (the “*Relevant Proportion*”) will be calculated as provided below, on a country-by-country basis:

6.4.1. provided that both active ingredients of the Combination Product are sold on a stand-alone basis in the relevant country at the time in question, the Relevant Proportion will be as follows: $A/(A+B)$, where A is the Net Sale price of the Licensed Compound based component of the Licensed Product sold separately in such country, and B is the Net Sale price of the other component sold separately in such country;

for example: if the Licensed Product is sold on a stand-alone basis for five U.S. Dollars (\$5) (Net Sale price) and the additional component of the Combination Product is sold on a stand-alone basis for ten U.S. Dollars (\$10) (Net Sale price), then the Relevant Proportion of such Combination Product will be one-third (1/3);

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6.4.2. in the event that the components of the Combination Product are not each sold on a stand-alone basis in the relevant country at the time in question, the Relevant Proportion will be calculated using the reasonably estimated commercial value of each component. Any such estimates will be determined using criteria to be mutually agreed upon by the Parties applicable to the country in question; and

6.4.3. for the purposes of determining Royalty Payments on a Combination Product, Net Sales of such Combination Product will be determined by multiplying the actual Net Sales of such Combination Product by the Relevant Proportion, and Teva will make Royalty Payments to Company accordingly;

for example: with respect to the said demonstrated numbers in the example of Section 6.4.1, if the actual Net Sales of the Combination Product is fifteen U.S. Dollars (\$15), then the Royalty Payments will be calculated on only one-third (1/3) of that amount, or five U.S. Dollars (\$5).

6.5. Expiration of Royalty Term. Following the expiry of the Royalty Term for a Licensed Product in a particular country in the Territory, Teva will have a perpetual fully paid-up nonexclusive license to continue to exploit the License with respect to the Licensed Product in such country without having to make Royalty Payments to Company.

6.6. Acknowledgement. Teva acknowledges that the Company IP and Company's assistance pursuant to this Agreement and the Research Agreement constitute valuable intellectual property, trade secrets, know-how and assistance from Company. The Parties acknowledge and agree that, for their mutual convenience and after considering other alternatives, the payments to Company set forth in this Agreement, including Section 6, and the timing of the payments (including the duration of the Royalty Term) are an appropriate and mutually convenient way of compensating Company.

7. Payment Terms and Reporting with Respect to the License

7.1. Quarterly Reports. Upon the achievement of the First Commercial Sale, Teva will submit to Company, no later than forty-five (45) days after the end of each Calendar Quarter during the Royalty Term, quarterly reports setting out all amounts owing to Company with respect to the Calendar Quarter, including, on a country-by-country and Licensed Product-by-Licensed Product basis: (a) the Net Sales made by each of Teva and its Affiliates and Sublicensees, both in local currency and U.S. Dollars indicating the currency conversion rates; (b) amounts deducted as royalties to third parties pursuant to Section 1.2.42(g); (c) the number of units of each Licensed Product included in such Net Sales; (d) Commercial Launch Milestone Payments, Sales Milestone Payments and Royalty Payments, as the case may be, due to Company with respect to such Calendar Quarter or, if no such payments are due to Company with respect to such Calendar Quarter, a statement that no payments are due; and (e) any calculations made in relation to Combination Products or Generic Products.

7.2. Confidentiality. The Parties agree that all information provided to Company pursuant to Section 7.1 will be treated as Confidential Information and governed by the terms of Section 15.

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7.3. Payment Terms

- 7.3.1. All amounts payable by Teva to Company pursuant to Section 6 will be paid to Company (a) with respect to Royalty Payments, on a quarterly basis, and no later than forty-five (45) days after the end of each Calendar Quarter, commencing with the first Calendar Quarter in which Net Sales are made, (b) with respect to Clinical Milestone Payments and Commercial Launch Milestone Payments, within forty-five (45) days after the Clinical Milestones or Commercial Launch Milestones are achieved and (c) with respect to Sales Milestone Payments, within forty-five (45) days after the end of the Calendar Quarter in which the Sales Milestones are achieved. All Clinical Milestone Payments, Commercial Launch Milestone Payments and Sales Milestone Payments are nonrefundable and noncreditable.
- 7.3.2. Each payment due to Company pursuant to Section 6 will be paid in U.S. Dollars by Teva by wire transfer of immediately available funds to an account designated by Company in writing.

7.4. Records and Audits

- 7.4.1. Teva will maintain, and will cause its Affiliates and Sublicensees to maintain, complete and accurate records of the Licensed Products sold under this Agreement and any amounts payable to Company in relation to such Licensed Products, which records will contain sufficient information to reasonably permit Company to confirm the accuracy of any payments made to Company.
- 7.4.2. Teva will retain and will cause its Affiliates and Sublicensees to retain such records relating to each Calendar Year during the Royalty Term for at least five (5) years after the conclusion of that Calendar Year, during which time Company will have the right, at its sole expense, to cause an independent, certified public accountant reasonably acceptable to Teva (which accountant may not be compensated on a full or partial contingency basis) to inspect such records during normal business hours for the sole purpose of verifying any reports or payments delivered under this Agreement. Such accountant will not disclose to Company any information other than information relating to the accuracy of reports and payments delivered under this Agreement. In the event that any audit performed pursuant to this Section 7.4.2 reveals an underpayment in excess of five percent (5%) in any Calendar Year, and if such underpayment is proven to the satisfaction of a mutually agreed external auditor (it being agreed that absent such mutual agreement as to the identity of the auditor within thirty (30) days of a Party's written notice to the other that it wishes to have such external auditor appointed, the external auditor will be one of the 'big three' accounting firms), then Teva will bear the full cost of such audit. Company may exercise its right of audit under this Section 7.4.2 only once for every Calendar Year and only once per Calendar Year, only for any year ending not more than thirty-six (36) months prior to the date of such audit, and only with reasonable prior notice to Teva and the relevant Affiliate, and subject to prior coordination. Any such audit will not unreasonably interfere with the business of Teva or the relevant Affiliate, and will be completed within a reasonable time frame. Teva will promptly transfer to Company any payment agreed to be due pursuant to such audit or mutually agreed external audit, as applicable.

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8. Ownership of Intellectual Property Rights

- 8.1. Company Developed IP.** The Parties agree that Company will be the sole owner of all IP which is developed solely by Company in accordance with the terms and pursuant to the conditions of this Agreement, that Company will have all right, title and interest thereto, and that such IP will become part of the Company IP and, subject to the grant of the License to Teva under Section 4.1, will be licensed to Teva at no additional cost to Teva.
- 8.2. Teva Developed IP.** The Parties agree that Teva will be the sole owner of all IP relating to the Licensed Products which is developed solely by Teva during the Term, and that Teva will have all right, title and interest thereto.
- 8.3. Jointly Developed IP.** Rights to IP made jointly by employees of Company or its Affiliates and by employees of Teva or its Affiliates during the Term shall be jointly owned by Company and Teva; *provided, however*, that Company's interest in such jointly developed IP shall be, and shall remain, subject to the provisions of this Agreement and the Research Agreement, including Teva's exclusive rights in and to such jointly developed IP upon Exercise of the License Option, and (b) both Parties shall be free to use such jointly developed IP without accounting to the other Party except as provided in subsection (a).
- 8.4. Cooperation.** Each Party agrees to sign, execute and deliver all documents and papers that may be required, and perform such other acts as may be reasonably required in order to comply with the terms of this Section 8, including, without limitation, any registration of the License with the relevant authorities anywhere in the world.

9. Prosecution and Protection of Intellectual Property

9.1. Prosecution and Maintenance of Company Patents

- 9.1.1. Prior to Exercise of the License Option with respect to a Target, Company will prepare, file, record, prosecute, maintain and defend (i.e., in opposition, post-grant review, revocation or similar proceedings) the Patents included in the Company IP with respect to the Target in the Licensed Field in the Territory in accordance with the Research Agreement; *provided, however*, that Teva shall have the right, but not the obligation, to comment on any and all filings, responses, actions and omissions which relate to Company IP and Company shall in good faith give reasonable consideration to all comments of Teva with a view toward providing the maximum economic advantage, return and protection to the Company IP.
- 9.1.2. Upon Exercise of the License Option with respect to a Target and for the remainder of the Term, Teva will, at its expense, prepare, file, record, prosecute, maintain and defend (i.e., in opposition, post-grant review, revocation or similar proceedings) the Patents included in the Company IP with respect to the Target. Teva will, at its own expense, provide Company with reasonable information relating to the prosecution of the Patents, and the maintenance, defense and other proceedings relating thereto, including copies of substantive communications, notices, actions, search reports and Third Party observations submitted to or received from the relevant patent authorities. Teva will consider in good faith any recommendations made by Company relating to the filing, prosecution, maintenance and defense of the Patents.

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9.1.3. If Teva elects not to file, prosecute, maintain or defend a Patent included in the Company IP, it shall provide Company with advanced written notice sufficient to avoid any loss or forfeiture thereof, which notice shall be given not less than forty-five (45) Business Days in advance of any applicable deadline, and Company shall have the right, but not the obligation, at its sole expense, to file, prosecute, maintain or defend the Patent, which Patent shall be removed from the definition of Company IP.

9.1.4. Nothing contained in this Agreement will be deemed to be a warranty by either of the Parties that such Party can or will be able to obtain issued patents based upon the Company IP.

9.2. Patent Term Extensions and Other Supplemental Protection Certificates. The Parties will cooperate with each other in obtaining patent term extensions or restorations or supplemental protection certificates or their equivalents based on the regulatory approval of the Licensed Products, for the applicable Patent(s) in any country in the Territory where desired by Teva, at Teva's expense. Final decisions and elections with respect to obtaining such extensions or supplemental protection certificates will be made at Teva's reasonable discretion; *provided, however*, if Teva elects not to pursue a patent term extension or restoration or supplemental protection certificate or its equivalent for any Company IP, it shall provide Company with advanced notice, and Company shall have the right, subject to Teva's prior written consent, not to be unreasonably withheld, to pursue such patent term extension or restoration or supplemental protection certificate. Without limiting the generality of the foregoing, Teva will have the right to determine for which Patent(s) the Parties will apply for patent term extensions based on the regulatory approval of a particular Licensed Product. Teva will keep Company informed of its efforts to obtain such patent term extensions or restorations or supplemental protection certificates or their equivalents. Company will provide prompt and reasonable assistance, as requested by Teva, including by taking such action as patent holder as is required under any Applicable Law to obtain such patent term extensions or restorations or supplemental protection certificates or their equivalents.

9.3. Patent Enforcement

9.3.1. In the event that either Party becomes aware of any product that is made, used, offered for sale or sold or any action that it believes potentially infringes or misappropriates the Company IP anywhere in the world, such Party will promptly advise the other Party of all the relevant facts and circumstances known to such first-mentioned Party in connection with such potential infringement or misappropriation.

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- 9.3.2. With respect to any Company IP to which Teva has a License under Section 4.1, Teva or an Affiliate designated by Teva will have the first right, but not the obligation, to bring an action against any Third Party suspected of infringement or misappropriation of the Company IP in the Licensed Field, and to control the defense of any counterclaim or declaratory judgment action alleging invalidity or non-infringement (or other action) relating thereto. If Teva elects to bring such action against a Third Party, Company will cooperate fully with Teva at Teva's expense in connection with such proceedings, including the joining of Company as a party to such action as may be desired by Teva or required by the law of the particular jurisdiction in which proceedings are brought. Any recovery obtained as a result of such action will be retained by Teva, subject to the other terms of this Agreement. If Teva does not exercise its right as described in this Section 9.3.2 within ninety (90) days following notice as provided in Section 9.3.1 or, if sooner, ten (10) business days before any time limit set forth in Applicable Law or filing, then Company will be entitled to exercise such right at its own cost and expense (with Teva cooperating fully and joining as a party if desired by Company or required by law), subject to Teva's prior written consent, which consent shall not be unreasonably withheld, and any recovery in such action will be retained by Company in full.
- 9.3.3. Each Party will execute all necessary and proper documents, take such actions as are reasonably required of it and as are necessary to allow the other Party to bring the proceedings referred to in this Section 9, and will otherwise cooperate in the conduct of such actions including, without limitation, consenting to being named as a party thereto. If a Party brings proceedings as described in this Section 9 it will keep the other Party reasonably informed as to the status of such action.

9.4. Patent Infringement

- 9.4.1. If Teva, Company or any of their Affiliate, or both, are sued by a Third Party alleging that the development, manufacture, sale, offer for sale or other commercialization of a Licensed Product infringes any IP rights of such Third Party, the Party (or its Affiliate) who is sued will immediately give the other Party written notice of same.
- 9.4.2. If proceedings as described in Section 9.4.1 are brought, Teva or its designated Affiliate will have the right but not the obligation to defend such action on behalf of the Parties and any expenses or costs incurred by Teva or its designated Affiliate in connection with such action(s), and any costs or amounts awarded to the counterparties in such action(s) will be fully borne by Teva and any recovery in such action will be retained by Teva in full.
- 9.4.3. If Teva or its Affiliate does not exercise its right to defend proceedings in a particular jurisdiction pursuant to Section 9.4.2 within sixty (60) days from the date the relevant suit becomes known to Teva, then Company will be entitled to defend such claim at its own cost and expense in such jurisdiction, subject to Teva's prior written approval in the case of a claim against Teva or its Affiliates, and any recovery in such action will be retained by Company in full, subject to the other terms and conditions of this Agreement.

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9.5. General

9.5.1. The Parties agree to provide each other with reasonable cooperation in the defense of any claims brought against the other Party in connection with the Company IP or Licensed Product and will join any such litigation as a party if required by law. The Parties agree to execute all documents reasonably necessary for the relevant Party to defend such action and will provide documents and help with making contact with witnesses that are or were their employees, consultants or otherwise connected to them, whose assistance or testimony is necessary in the reasonable judgment of the lawyers who conduct the proceedings.

9.5.2. In no event will either Party enter into any settlement, consent order, consent judgment or any voluntary disposition of such action that would adversely affect the rights of the other without the prior written consent of such other Party, which consent will not be unreasonably withheld or delayed.

9.6. Patent Marking. Teva shall use Commercially Reasonable Efforts to mark, and shall use Commercially Reasonable Efforts to cause its Affiliates and Sublicensees to mark, all Licensed Products sold or distributed pursuant to this Agreement in accordance with applicable patent statutes or regulations in the country or countries of manufacture and/or sale thereof.

10. Representations and Warranties

10.1. Mutual Representations. Each Party hereby represents and warrants to the other Party as of the Effective Date that:

- 10.1.1. it has the full power and authority to enter into this Agreement and to perform its obligations hereunder, and all corporate approvals required have been obtained;
- 10.1.2. entering into this Agreement will not constitute a breach of any agreement, contract, understanding and/or obligation, including such Party's documents of incorporation which it is currently bound; and
- 10.1.3. it is not under any obligation, contractual or otherwise, to any Person that conflicts with or is inconsistent in any material respect with the terms or conditions of this Agreement, or that would impede the material fulfillment of its obligations hereunder.

10.2. Company Representations. In addition, Company hereby represents and warrants as of the Effective Date, and as and to the extent provided in Section 3.1.1(c), that:

- 10.2.1. to its knowledge, it is the sole and exclusive owner of all rights in and to the Company IP;
- 10.2.2. the Company IP listed in **Annex 1** represent all Patents within Company's or its Affiliates' Control relating to the Targets;

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- 10.2.3. all rights in and to the Company IP in the Licensed Field are free and clear of any pledge, security interest, encumbrance, prior assignment, option, warrant, right to possession, claim, right or restriction of any kind or nature whatsoever, charge or other lien whether arising by contract, agreement or by operation of law or order of a court;
- 10.2.4. to its knowledge, the performance of Company's obligations under this Agreement and the exploitation by Teva of the License do not and will not infringe any Third Party IP rights;
- 10.2.5. to its knowledge, no Person is infringing or threatening to infringe the Company IP;
- 10.2.6. it has the right and authority to grant the License Option and the License;
- 10.2.7. no legal suit or proceeding by any Third Party exists or, to its knowledge, is threatened against Company contesting the ownership or validity of the Company IP or any part thereof or contesting the possible exploitation of the License (including as it relates to the commercialization of the Licensed Products in the Licensed Field);
- 10.2.8. there are no claims, judgments, or settlements against, or amounts with respect thereto, owed by Company or any of its Affiliates relating to the Company IP;
- 10.2.9. to its knowledge, the conception, development, and reduction to practice of the Company IP have not constituted or involved the misappropriation of trade secrets or other rights or property of any Person; and
- 10.2.10. it has not granted any assignment, license, covenant not to sue, or similar interest or benefit, exclusive or otherwise, to any Third Party relating to the Company IP that conflicts with or limits the rights granted to Teva hereunder.

10.3. Mutual Covenants. Each Party hereby covenants to the other Party that:

- 10.3.1. it will not use in any capacity, in connection with the performance of the activities contemplated by this Agreement, any Person who has been debarred pursuant to Section 306 of the United States Federal Food, Drug, and Cosmetic Act, or who is the subject of a conviction described in such section. Each Party agrees to inform the other in writing immediately if it or any Person who is performing services hereunder on its behalf is debarred or is the subject of a conviction described in Section 306, or if any action, suit, claim, investigation, or legal or administrative proceeding is pending or, to its knowledge, is threatened, relating to the debarment or conviction of it or any Person performing services hereunder; and
- 10.3.2. in carrying out its obligations and responsibilities pursuant to this Agreement, each Party will use commercially reasonable efforts to obtain or procure all necessary approvals and consents and will comply with all Applicable Laws and, licenses, permits, approvals and procedures.

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10.4. Obligation to Correct Inaccuracies. Without derogating from any of the remedies available to either Party hereunder or under Applicable Law, if either Party will become aware of the inaccuracy of any of the above representations and warranties, such Party will immediately notify the other Party of such in writing.

10.5. Disclaimer. EXCEPT AS OTHERWISE EXPRESSLY PROVIDED IN THIS AGREEMENT, EACH PARTY HEREBY DISCLAIMS AND MAKES NO OTHER REPRESENTATIONS OR WARRANTIES OF ANY KIND, EITHER EXPRESS OR IMPLIED, INCLUDING, BUT NOT LIMITED TO, WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, NONINFRINGEMENT, PATENTABILITY AND VALIDITY OF ANY PATENTS ISSUED OR PENDING. Without derogating from the generality of the foregoing, nothing contained in this Agreement is a warranty or representation by any Party that any efforts to be exerted by such Party in connection with this Agreement including without limitation any research or development activities to be performed by them under this Agreement will achieve their aims or succeed, and the Parties make no warranties whatsoever as to any results to be achieved in consequence of the carrying out of any such efforts or activities.

11. Term and Termination

11.1. Term. This Agreement will commence on the Effective Date and, unless earlier terminated in accordance with Section 11.2, will terminate with respect to each Target (including the associated Company IP, License Option and Licensed Compounds) upon the earlier of (with respect to the Target) (a) Expiration of the License Option or (b) the date of expiration of the last Royalty Term for the last Licensed Product on a country-by-country basis (such period with respect to each Target, the "*Term*").

11.2. Termination.

11.2.1. At any time, Teva will have the right, at its sole discretion, to terminate this Agreement for any or for no reason, by providing Company with thirty (30) days prior written notice of such decision. In this event, Teva will not be obliged to pay any compensation to Company for exercising such termination right.

11.2.2. Company shall have the right to terminate this Agreement by written notice to Teva in the event Teva or any of its Affiliates or Sublicensees (a) commences any action or asserts any formal position in any forum (including a court, patent office or arbitral tribunal and whether in the form of petition for declaratory relief, claims, counterclaims, defenses, interferences, petitions for reexamination, oppositions or otherwise) that any patents or patent applications included in the Company IP are invalid, unenforceable or should not issue (including with respect to any claims therein) or (b) knowingly assist any Third Party to do any of the foregoing, which termination shall be effective on the date set forth in such notice.

11.2.3. Without derogating from any other remedies that either Party may have under the terms of this Agreement, the Share Purchase Agreement, the Research Agreement or Applicable Law, each Party will have the right to terminate this Agreement upon the occurrence of any of the following:

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- (a) the other Party commits a material breach of this Agreement and fails to remedy that breach within forty-five (45) days after being requested to do so, in writing, by the non-breaching Party; or
- (b) upon the filing or institution of bankruptcy, reorganization, liquidation or receivership proceedings, or upon an assignment of a substantial portion of the assets for the benefit of creditors by the other Party; *provided, however*, in the case of any involuntary bankruptcy, reorganization, liquidation, receivership or assignment proceeding, such right to terminate will only become effective if such other Party consents to the involuntary proceeding or such proceeding is not dismissed within ninety (90) days after the filing thereof.

Notwithstanding the immediately preceding provision of this Section 11.2.3(b), all rights and licenses granted pursuant to this Agreement are, and will otherwise be deemed to be, for purposes of Section 365(n) of Title 11, U.S. Code (the “*Bankruptcy Code*”) licenses of rights to “intellectual property” as defined under Section 101(35A) of the Bankruptcy Code. The Parties agree that Teva and Company will retain and may fully exercise all of their respective rights, remedies and elections under the Bankruptcy Code. The Parties further agree that, in the event of the commencement of a bankruptcy or reorganization case by or against a Party under the Bankruptcy Code, the other Party will be entitled to all applicable rights under Section 365 (including Section 365(n)) of the Bankruptcy Code. Upon rejection of this Agreement by a Party or a trustee in bankruptcy for such Party, pursuant to Section 365(n), the other Party may elect: (a) to treat this Agreement as terminated by such rejection; or (b) to retain its rights (including any right to enforce any exclusivity provision of this Agreement) to intellectual property (including any embodiment of such intellectual property) under this Agreement and under any agreement supplementary to this Agreement for the duration of this Agreement and any period for which this Agreement could have been extended by such other Party, *subject, however*, to the continued payment of all amounts owing under this Agreement, all of which amounts will be deemed to be royalties for purposes of Section 365(n) of the Bankruptcy Code. Upon written request to the trustee in bankruptcy or bankrupt Party, the trustee or Party, as applicable, will: (a) provide to the other Party any IP held by the trustee or the bankrupt Party and will provide to the other Party a complete duplicate of (or complete access to, as appropriate) any such IP; and (b) not interfere with the rights of the other Party to such IP as provided in this Agreement or any agreement supplementary to this Agreement, including any right to obtain such IP (or such embodiment or duplicates thereof) from a Third Party.

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11.3. Rights and Obligations Upon Termination

- 11.3.1. Upon termination of this Agreement pursuant to Section 11.2.1 or 11.2.2 or due to the breach or bankruptcy of Teva pursuant to Section 11.2.3, Teva shall (and shall cause its Affiliates and Sublicensees to): (a) promptly transfer to Company copies of all data, reports, records and materials in Teva's possession or control relevant to the development, manufacturing or commercialization of Licensed Compounds or Licensed Products generated during the Term that are solely and directly related to the Licensed Compounds or Licensed Products, *provided* that Teva may retain one copy for archival purposes only; (b) at Company's request, transfer to Company ownership of any INDs, regulatory applications, regulatory approvals and any other regulatory filings or submissions for Licensed Products; (c) grant Company a non-exclusive, royalty-free, fully paid-up license, with right to sublicense, to those Patents in the Territory and IP of Teva and its Affiliates and Sublicensees that specifically claim or solely and directly relate to the Licensed Compounds or Licensed Products, the use of the Licensed Compounds or Licensed Products or the methods of making the Licensed Compounds or Licensed Products developed by Teva or its Affiliates or Sublicensees during the Term in connection with this Agreement; (d) reasonably cooperate with Company upon its request, to provide an orderly transition to Company or its designee of the development, manufacturing and commercialization activities being performed by Teva or its Affiliates or Sublicensees with respect to Licensed Compounds and Licensed Products; and (e) upon request, cooperate in the transition to Company or its designee of any arrangement with a contractor or subcontractor for the supply of Licensed Compounds, Licensed Products, their constituents or intermediaries or services related thereto.
- 11.3.2. Except as provided in Sections 11.2.3(b) and 11.3.1, upon termination of this Agreement for any reason, each Party, at the request of the other Party, will immediately return to the other Party all materials, reports, updates, documentation, written instructions, notes, memoranda, discs or records or other documentation or physical matter of whatsoever nature or description provided by the other Party, except in the event that such material is owned by such Party pursuant to the terms of this Agreement, and provided that each Party will be allowed to retain one copy for archival purposes.
- 11.3.3. At the request of either Party, the other Party will execute and deliver such assignments and licenses and other documents as may be necessary to fully vest in the requesting Party all right, title and interest to which it is entitled pursuant to this Section 11.
- 11.3.4. Upon termination of this Agreement for any reason each Party will be entitled to collect any debt or accrued obligation then owed to it by the other Party, and the Parties will arrange for the orderly and prompt transfer by Teva to Company of the filing, prosecution and maintenance of all Patents included in the Company IP that Teva has been handling pursuant to Section 9.1.2.
- 11.3.5. Except as otherwise provided in this Agreement, all accrued obligations and all rights and obligations under Sections 6.5 (in the case of expiry), 7, 8, 11, 12, 13, 14, 15, 16, 18, 26 and 27 will survive the termination or expiry of this Agreement or the Term with respect to each Target.

[*] Designates portions of this document that have been omitted pursuant to a request for Confidential Treatment filed separately with the Commission.

12. Indemnification

12.1. Teva's Indemnification

- 12.1.1. Teva will indemnify, defend, and hold harmless each of Company, its Affiliates and their respective directors, officers, employees, agents, successors, heirs and assigns (the "**Company Indemnitees**"), from and against any liability, damage, loss, or expense (including reasonable attorney's fees and expenses) incurred by or imposed upon any of the Company Indemnitees in connection with any claims, suits, actions, demands or judgments of third parties ("**Claims**") arising pursuant to a breach of a representation or warranty by Teva under this Agreement, concerning the negligent acts or omissions to act by any Teva Indemnitees or their subcontractors, or arising from the development, manufacture or commercialization of Licensed Compounds or Licensed Products hereunder (including product liability claims), except in cases where, and to the extent that, such Claims result from the breach of this Agreement, negligence or willful misconduct by or on the part of any of the Company Indemnitees and/or any misrepresentation by Company under this Agreement.
- 12.1.2. Teva's undertakings under Section 12.1.1 above will be subject to: (a) receipt of prompt written notice of any Claim by the Company Indemnitee, *provided, however*, that the failure to give such notice will not affect Teva's indemnification undertakings provided hereunder except to the extent Teva will have been actually prejudiced as a result of such failure; (b) the cooperation of the Company Indemnitee(s) regarding the response to and the defense of any such Claim; and (c) Teva's right, by written notice to the Company Indemnitees, to assume the defense of the Claim or represent the interests of the Company Indemnitees with respect to such Claim, that will include the right to select and direct legal counsel and other consultants to appear in proceedings on behalf of the Company Indemnitees and to propose, accept or reject offers of settlement, all at its sole cost; *provided however*, that no such settlement will be made without the written consent of the Company Indemnitees, such consent not to be unreasonably withheld or delayed. Nothing herein will prevent the Company Indemnitees from retaining their own counsel and participating in their own defense at their own cost and expense.

12.2. Company's Indemnification

- 12.2.1. Company will indemnify, defend, and hold harmless each of Teva, its Affiliates and their respective directors, officers, employees, agents, successors, heirs and assigns (the "**Teva Indemnitees**"), from and against any liability, damage, loss, or expense (including reasonable attorney's fees and expenses) incurred by or imposed upon any of the Teva Indemnitees in connection with any Claims arising pursuant to a breach of a representation or warranty by Company under this Agreement and/or concerning negligent acts or omissions to act by Company Indemnitees or their subcontractors in the activities of Company under this Agreement, except in cases where, and to the extent that, such Claims result from the breach of this Agreement, negligence or willful misconduct by or on the part of any of the Teva Indemnitees and/or any misrepresentation by Teva under this Agreement.

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12.2.2. Company's undertakings under Section 12.2.1 above will be subject to: (a) receipt of prompt written notice of any Claim by the Teva Indemnitee; *provided, however*, that the failure to give such notice will not affect their indemnification undertakings provided hereunder except to the extent Company will have been actually prejudiced as a result of such failure; (b) the cooperation of the Teva Indemnitee(s) regarding the response to and the defense of any such Claim; and (c) Company's right, by written notice to the Teva Indemnitees, to assume the defense of the Claim or represent the interests of the Teva Indemnitees with respect to such Claim, that will include the right to select and direct legal counsel and other consultants to appear in proceedings on behalf of the Teva Indemnitees and to propose, accept or reject offers of settlement, all at its sole cost; *provided however*, that no such settlement will be made without the written consent of the Teva Indemnitees, such consent not to be unreasonably withheld or delayed. Nothing herein will prevent the Teva Indemnitees from retaining their own counsel and participating in their own defense at their own cost and expense.

13. Insurance

- 13.1. Each Party will maintain, for the Term and thereafter, insurance sufficient to cover its obligations under this Agreement and under law as it customarily maintains for similar activities in the regular course of its business. Teva may fulfill its obligation under this Section 13 to obtain insurance by the maintenance of appropriate self insurance regardless of the nature or title thereof.
- 13.2. During the Term, Company will maintain, at its cost, insurance against legal liability and other risks associated with its activities and obligations under this Agreement, in such amounts which in any case will not be less than two million U.S. Dollars (\$2,000,000) subject to such deductibles and on such terms as are customary for a company such as Company for the activities to be conducted by it under this Agreement. Company will furnish Teva with evidence of such insurance upon Teva's request.

14. Limitation of Liability

EXCEPT IN THE CASE OF A WILLFUL OR FRAUDULENT MISREPRESENTATION UNDER THIS AGREEMENT, THE RESEARCH AGREEMENT OR THE SHARE PURCHASE AGREEMENT, AND EXCEPT WITH RESPECT TO THE PARTIES' RESPECTIVE INDEMNIFICATION OBLIGATIONS WITH RESPECT TO CLAIMS PAYABLE TO THIRD PARTIES UNDER SECTION 12 OF THIS AGREEMENT AND THE PARTIES' OBLIGATIONS UNDER SECTION 15 OF THIS AGREEMENT, IN NO EVENT WILL EITHER PARTY BE LIABLE TO THE OTHER OR ANY OF ITS AFFILIATES FOR ANY CONSEQUENTIAL, INCIDENTAL, INDIRECT, SPECIAL, PUNITIVE OR EXEMPLARY DAMAGES (INCLUDING, WITHOUT LIMITATION, LOST PROFITS, BUSINESS OR GOODWILL) SUFFERED OR INCURRED BY SUCH OTHER PARTY OR ITS AFFILIATES, WHETHER BASED UPON A CLAIM OR ACTION OF CONTRACT, WARRANTY, STRICT LIABILITY, NEGLIGENCE OR OTHER TORT, OR OTHERWISE, ARISING OUT OF THIS AGREEMENT.

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15. Confidentiality

15.1. No Disclosure. Other than as expressly set forth herein, Teva and Company undertake to treat and to maintain and to ensure that their Representatives (as defined below) will treat and maintain, in strict confidence and secrecy any information disclosed by either Party under this Agreement, whether disclosed in oral or visual form or in writing and will keep in confidence the existence and contents of this Agreement (the “*Confidential Information*”) and will not disclose, publish, or disseminate in any manner, any Confidential Information including, without limitation, any aspect thereof, to a Third Party other than those of its Representatives with a need to know such Confidential Information. In addition, each Party agrees to treat and maintain (and to ensure that its Representatives treat and maintain) in strict confidence and secrecy and to prevent any unauthorized use, disclosure, publication, or dissemination of the Confidential Information, except for the purposes of this Agreement. Each Party agrees to be responsible for any use or disclosure of Confidential Information by any of its Representatives.

15.2. Maintaining Confidentiality. Each Party will:

15.2.1. safeguard and keep secret all Confidential Information, and will not directly or indirectly disclose to any Third Party the Confidential Information without written permission of the other Party; and

15.2.2. in performing its duties and obligations hereunder, use at least the same degree of care as it does with respect to its own Confidential Information of like importance but, in any event, at least reasonable care.

15.3. Exceptions. The undertakings and obligations under Sections 15.1 and 15.2 will not apply to any part of the Confidential Information which:

15.3.1. was known to the recipient of the Confidential Information (the “*Recipient*”) prior to disclosure by the disclosing Party (the “*Discloser*”);

15.3.2. was generally available to the public prior to disclosure to the Recipient;

15.3.3. is disclosed to the Recipient by a Third Party who is not bound by any confidentiality obligation, having a legal right to make such disclosure;

15.3.4. has become through no act or failure to act on the part of the Recipient public information or generally available to the public;

15.3.5. was independently developed by the Recipient without reference to or reliance upon the Confidential Information; or

15.3.6. is required to be disclosed by the Recipient by law, by court order, or governmental regulation (including securities laws and/or exchange regulations), provided that the Recipient gives the Discloser reasonable notice prior to any such disclosure and cooperates (at the Discloser’s expense) with the Discloser to assist the Discloser in obtaining a protective order or other suitable protection from disclosure (if available) with respect to such Confidential Information.

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15.4. Disclosure Required by Law, Non-Disclosure Agreements. Notwithstanding the foregoing:

15.4.1. in the event that either Party is required to disclose Confidential Information pursuant to securities laws, then, prior to such disclosure, the text of such disclosure will be provided to the other Party for its comment and review and such disclosing Party shall consider the comments of the other Party in good faith; and

15.4.2. each Party may disclose the terms of this Agreement to the extent required, in the reasonable opinion of such Party's legal counsel, to comply with Applicable Laws, as well as to Sublicensees pursuant to appropriate non-disclosure arrangements, *provided, however*, that prior to any disclosure, the disclosing Party will consult with the non-disclosing Party and give good faith consideration to deleting information requested by the non-disclosing Party, including business sensitive information.

15.5. Notice of Breach. Each Party agrees to inform the other Party of any breach or threatened breach of the provisions hereof by its Representatives.

15.6. Remedies. Teva and Company each acknowledges that their respective Confidential Information is of special and unique significance to each of them and that any unauthorized disclosure or use of the Confidential Information could cause irreparable harm and significant injury to the Discloser that may be difficult to ascertain. Accordingly, any breach of this Agreement may entitle the aggrieved Party in addition to any other right or remedy that it may have available to it by law or in equity, to remedies of injunction, specific performance and other relief, including recourse in a court of law.

15.7. Duration. The provisions relating to confidentiality in this Section 15 will remain in effect during the Term and for a period of seven (7) years thereafter.

15.8. Representatives Defined. For the purposes of this Section 15, "*Representatives*" will mean employees, officers, agents, subcontractors, consultants, and/or any other person or entity acting on either Party's behalf, individually or collectively, including prospective Affiliates, acquirors, investors and lenders who have executed a confidentiality agreement with terms substantially similar to the restrictions imposed by this Section 15, which will be exposed to Confidential Information; *provided, however*, that in no event shall Company disclose to pharmaceutical companies that are competitors of Teva any of Teva's Confidential Information pertaining to its Intellectual Property (except in connection with a sublicense pursuant to Section 11.3.1) or business plans.

16. Publication

16.1. Public Statements Relating to this Agreement. Except as required by Applicable Law, Company will not issue any press release, make any public statement or advertise any information pertaining to this Agreement, or to the collaboration hereunder, without the prior written approval of Teva, which approval will not be unreasonably withheld or delayed. Without derogating from the foregoing, disclosure required under Applicable Law will not be subject to the written approval of Teva; *provided, however*, that Company will give Teva sufficient notice, as far as practicable under law, of such required disclosure as to enable Teva time to object to such disclosure and will reasonably strive to implement any comments provided by Teva.

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16.2. Proposed Publications. After the Initial Investment with respect to a Target and until the earlier of Expiration of the License Option or termination of Teva's applicable rights under a License with respect to the Target, Company will not submit for written or oral publication any manuscript, abstract or the like relating to Company IP, any Licensed Compound or any Licensed Product with respect to the Target in the Licensed Field without the prior written consent of Teva. Prior to Exercise of the applicable License Option and after termination of its applicable rights under a License, Teva will not submit for written or oral publication any manuscript, abstract or the like relating to any Company IP, any Licensed Compound or any Licensed Product without the prior written consent of Company. If a Party desires to submit such publication during the prohibited window, it shall first deliver to the other Party, for the other Party's prior written consent, the proposed publication or an outline of the oral disclosure at least thirty (30) days prior to planned submission or presentation.

17. Independent Contractors

- 17.1. **Status.** In performing under and with respect to this Agreement, the Parties will be independent contractors and their relationship will not constitute a partnership, joint venture or agency. Neither Party will have the authority to make any statements, representations or commitments of any kind, or to take any action, which will be binding on the other Party, without the prior consent of such other Party.
- 17.2. **Responsibility.** Each Party agrees that its employees, officers, agents, subcontractors, consultants, and/or any other person or entity acting on its behalf, individually or collectively, will be the sole responsibility of such Party and will not be considered at any time as employees of the other Party and will not have any claims against the other Party whatsoever.

18. Miscellaneous Payment and Tax Provisions

- 18.1. **Overdue Payments.** Any payments under this Agreement that are overdue shall bear interest at the six (6) month LIBOR rate for the first business day of each month plus three (3) percentage points or the maximum permitted by applicable law, whichever is less.
- 18.2. **Withholding.** If Applicable Laws require that taxes be withheld from any amounts due to Company under this Agreement, Teva will: (a) deduct these taxes from the remittable amount; (b) pay the taxes to the proper taxing authority; and (c) deliver to Company a statement including the amount of tax withheld and justification therefore, and such other information as may be necessary for tax credit purposes. For the avoidance of doubt, any amounts due to Company under this Agreement will be reduced by any withholding or similar taxes applicable to such payment, such that the actual maximum payment by Teva will not exceed the amounts or the rates provided in this Agreement.

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19. Assignment

This Agreement may not be assigned or otherwise transferred by a Party without the prior written consent of the other Party; *provided, however,* that either Party may assign this Agreement (in whole or in part) (a) to an Affiliate (provided that such assignment shall be null and void if it ceases being an Affiliate) and (b) in connection with the sale of all or substantially all of its assets or in connection with a merger, consolidation or similar transaction; *provided, however,* where such assignee is a competitor of Teva or where such successor entity is controlled by a competitor of Teva, Teva (i) shall not be obligated to disclose any Confidential Information pertaining to Teva's Intellectual Property (except in connection with a sublicense pursuant to Section 11.3.1) or business plans to such assignee or successor entity during the remainder of the Term, (ii) may request the immediate return or destruction of Teva's Confidential Information previously disclosed to Company pertaining to Teva's Intellectual Property (except in connection with a sublicense pursuant to Section 11.3.1) or business plans, and (iii) may terminate the JDC at its sole discretion. The assignee shall agree in writing to be bound by the provisions of this Agreement. Any such assignment shall not relieve the Party of its responsibilities for performance of its obligations under this Agreement and shall not increase, in the case of an assignment to an Affiliate, the taxes to be withheld pursuant to Section 18.2. This Agreement shall be binding upon and inure to the benefit of the successors and permitted assignees of the Parties. Any assignment not in accordance with this Agreement shall be null and void.

20. Amendments

No amendment of this Agreement will be valid unless it is in writing and signed by, or on behalf of, each of the Parties.

21. Severance

Should any part or provision of this Agreement be held unenforceable or in conflict with the Applicable Laws of any applicable jurisdiction, the invalid or unenforceable part or provision will, provided that it does not go to the essence of this Agreement, be replaced with a revision which accomplishes, to the extent possible, the original commercial purpose of such part or provision in a valid and enforceable manner, and the balance of this Agreement will remain in full force and effect and binding upon the Parties.

22. Entire Agreement

This Agreement, the Research Agreement and the Share Purchase Agreement and their respective annexes, exhibits and schedules constitute the entire agreement between the Parties with respect to its subject matter and supersede all prior agreements, arrangements, dealings or writings between the Parties. The English original of this Agreement will prevail over any translations thereof.

23. Waiver

No waiver of a breach or default hereunder will be considered valid unless in writing and signed by the Party giving such waiver and no such waiver will be deemed a waiver of any subsequent breach or default of the same or similar nature.

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24. Further Assurances

Each Party agrees to execute, acknowledge and deliver such further documents and instruments and do any other acts, from time to time, as may be reasonably necessary, to effectuate the purposes of this Agreement.

25. Third Parties

None of the provisions of this Agreement will be enforceable by any person who is not a party to this Agreement.

26. Notices

Any notice, declaration or other communication required or authorized to be given by any Party under this Agreement to the other Party will be in writing in the English language and will be personally delivered, sent by facsimile transmission (with a copy by ordinary mail in either case) or dispatched by courier addressed to the other Party at the address stated below or such other address as will be specified by the Parties by notice in accordance with the provisions of this Section 26. Any notice will operate and be deemed to have been served, if personally delivered, sent by fax or by courier on the next following Business Day.

Teva's and Company's addresses for the purposes of this Agreement will be as follows:

If to Teva:

Teva Pharmaceutical Industries Ltd.
Innovative Ventures
Attention: Dr. Aharon Schwartz
16 Basel Street, Petah Tiqva 49131, Israel
Telephone: 972-3-9267277
Facsimile: 972-3-9267581

With a copy (that will not constitute notice) to:
Teva Pharmaceutical Industries Ltd.
Attention: General Counsel, Legal Department
5 Basel Street, Petah Tiqva 49131, Israel
Telephone: 972-3-926-7297
Facsimile: 972-3-926-7429

If to Company:

Company: Cocrystal Discovery, Inc.
Attention: Chief Executive Officer
19805 North Creek Parkway
Bothell, WA 98011
Telephone: (206) 605-6911
Facsimile: (435) 398-7178

With a copy (that will not constitute notice) to:
Perkins Coie LLP
1201 3rd Avenue, Suite 4800
Seattle, WA 98101
Telephone: (206) 359-8660
Facsimile: (206) 359-9660

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27. Governing Law and Jurisdiction

This Agreement will be governed by and construed under the substantive laws of the State of New York, U.S.A., without reference to any choice of law principles thereof that would cause the application of the laws of a different jurisdiction. All actions, suits or proceedings arising out of or relating to this Agreement will be heard and determined in any state or federal court having jurisdiction of the Parties and the subject matter of the dispute, sitting in the Southern District of New York, Borough of Manhattan if initiated by Company and sitting in the Western District of Washington if initiated by Teva, and the Parties hereby irrevocably submit to the exclusive jurisdiction of such courts in any such action or proceeding and irrevocably waive any defense of an inconvenient forum to the maintenance of any such action or proceeding. Each Party hereby irrevocably waives personal service of process and consents to process being served in any such suit, action or proceeding by notice in accordance with Section 26 (with evidence of delivery) to such Party at the address in effect for notices to it under this Agreement and agrees that such service will constitute good and sufficient service of process and notice thereof. Nothing contained herein will be deemed to limit in any way any right to serve process in any manner permitted by law. Prior to commencement of any legal action, suit or proceeding arising out of or relating to this Agreement, the Parties will first present their dispute to the Executive Officers of Teva and Company for resolution. If the Executive Officers are unable to resolve the dispute within thirty (30) days through good faith negotiations, either Party may then seek resolution of the dispute at law or equity in the forum set forth above.

28. Force Majeure

- 28.1. If either Party is prevented from fulfilling its obligations under this Agreement by reason of any supervening event beyond its control (including but not limited to war, national emergency, flood, earthquake, strike or lockout), the Party unable to fulfill its obligations (the "**Incapacitated Party**") will immediately give notice of this incapacity and the period during which such incapacity is expected to continue to the other Party and will do everything reasonably within its power to resume full performance of its obligations as soon as possible.
- 28.2. Subject to compliance with the requirements of Section 28.1, the Incapacitated Party will not be deemed to be in breach of its obligations under this Agreement during the period of incapacity in the circumstances referred to in Section 28.1 and the other Party will continue to perform its obligations under this Agreement save only in so far as they are dependent on the prior performance by the Incapacitated Party of its obligations which it cannot perform during the period of incapacity.

29. Export Regulations.

Teva acknowledges that the transfer of certain commodities and technical data is subject to United States laws and regulations controlling the export of such commodities and technical data, including all Export Administration Regulations of the U.S. Department of Commerce. These laws and regulations, among other things, prohibit or require a license for the export of certain types of technical data to certain specified countries. Teva shall use Commercially Reasonable Efforts to comply with all United States laws and regulations controlling the export of commodities and technical data and that it will be responsible for any violation of such laws and regulations by it, its Affiliates or its Sublicensees.

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30. Interpretation

The Parties have had the opportunity to have this Agreement reviewed by an attorney; therefore, neither this Agreement nor any provision hereof will be construed against the drafter of this Agreement.

31. Counterparts

This Agreement may be executed in any number of counterparts (including counterparts transmitted by fax or by portable document format), each of which will be deemed to be an original, but all of which taken together will be deemed to constitute one and the same instrument.

[*] Designates portions of this document that have been omitted pursuant to a request for Confidential Treatment filed separately with the Commission.

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IN WITNESS WHEREOF, each Party has caused this Agreement to be executed by its duly authorized representatives:

| TEVA PHARMACEUTICAL INDUSTRIES LIMITED | COCRYSTAL DISCOVERY, INC. |
|--|--|
| signature: _____ name: _____ <i>designation:</i> _____ signature: _____ name: _____ <i>designation:</i> _____ | signature: _____ name: _____ <i>designation:</i> _____ |

[*] Designates portions of this document that have been omitted pursuant to a request for Confidential Treatment filed separately with the Commission.

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Annex 1

Company IP
With Respect to the First Target

| Country | Appln No. | Appln Date | Title | Publn No. | Publn Date | Patent No. | Patent Date | Status |
|---------|-----------|------------|-------|-----------|------------|------------|-------------|--------|
| [*] | [*] | [*] | [*] | [*] | [*] | [*] | [*] | [*] |
| [*] | [*] | [*] | [*] | [*] | [*] | [*] | [*] | [*] |

[*] Designates portions of this document that have been omitted pursuant to a request for Confidential Treatment filed separately with the Commission.

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

I, Gary Wilcox, certify that:

1. I have reviewed this quarterly report on Form 10-Q/A of Cocystal 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: August 14, 2014

/s/ Gary Wilcox
Gary Wilcox
Chief Executive Officer
(Principal Executive Officer)

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

I, Gerald McGuire, certify that:

1. I have reviewed this quarterly report on Form 10-Q/A of Cocystal 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: August 14, 2014

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

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the quarterly report of Cocrystal Pharma, Inc. (the "Company") on Form 10-Q/A for the quarter ended March 31, 2014, as filed with the Securities and Exchange Commission on the date hereof, I, Gary Wilcox, 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/ Gary Wilcox

Gary Wilcox
Chief Executive Officer
(Principal Executive Officer)
Dated: August 14, 2014

In connection with the quarterly report of Cocrystal Pharma, Inc. (the "Company") on Form 10-Q/A for the quarter ended March 31, 2014, 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: August 14, 2014