SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 30, 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	**20-578559**
(State or Other Jurisdiction of Incorporation or Organization)	(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 August 8, 2014, the number of outstanding shares of the registrant's common stock, par value $0.001 per share, was 121,959,404.

COCRYSTAL PHARMA, INC.

FORM 10-Q FOR THE QUARTER ENDED JUNE 30, 2014

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Part I – FINANCIAL INFORMATION

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

	June 30, 2014 (unaudited)	December 31, 2013
Assets		
Current assets:		
Cash and cash equivalents	$ 4,074	$ 1,034
Marketable securities	5,719	-
Prepaid and other current assets	156	139
Mortgage note receivable, current portion	148	-
Total current assets	10,097	1,173
Property and equipment, net	361	469
Deposits	31	19
Mortgage note receivable, long-term portion	2,478	-
Total assets	$ 12,967	$ 1,661
Liabilities and stockholders' equity (deficit)		
Current liabilities:		
Accounts payable	180	224
Accrued expenses	281	139
Derivative liabilities	6,450	23
Total current liabilities	6,911	386
Total liabilities	6,911	386
Commitments and contingencies		
Series A convertible preferred stock, $0.001 par value; 7,150 shares authorized; 0 and 7,046 shares issued and outstanding at June 30, 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 June 30, 2014 and December 31, 2013, respectively	1	-
Common stock, $.001 par value; 200,000 and 262,186 shares authorized, 121,885 and 0 shares issued and outstanding as of June 30, 2014 and December 31, 2013, respectively	122	-
Additional paid-in capital	12,084	3,502
Accumulated other comprehensive income	1,827	-
Accumulated deficit	(7,978)	(12,335)
Total stockholders' equity (deficit)	6,056	(8,833)
Total liabilities and stockholders' equity (deficit)	$ 12,967	$ 1,661

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

	Three months ended June 30,		Six months ended June 30,	
	2014	2013	2014	2013
Operating expenses				
Research and development	$ 888	$ 980	$ 1,853	$ 1,986
General and administrative	499	51	1,066	104
Total operating expenses	1,387	1,031	2,919	2,090
Loss from operations	(1,387)	(1,031)	(2,919)	(2,090)
Interest income	-	1	-	2
Realized gain on sale of marketable securities	480	-	480	-
Other expense	(2)	-	(2)	-
Fair value of warrant liabilities in excess of proceeds from financing	-	-	(946)	-
Change in fair value of derivative liabilities	5,639	-	7,744	-
Total other income, net	6,117	1	7,276	2
Income (loss) before income taxes	4,730	(1,030)	4,357	(2,088)
Income taxes	-	-	-	-
Net income (loss)	$ 4,730	$ (1,030)	$ 4,357	$ (2,088)
Comprehensive income (loss):				
Net income (loss)	$ 4,730	$ (1,030)	$ 4,357	$ (2,088)
Unrealized gain on marketable securities	3,354	-	1,827	-
Total comprehensive income (loss)	$ 8,084	$ (1,030)	$ 6,184	$ (2,088)
Net income (loss) per common share:				
Basic income (loss) per share	$ 0.01	$ (0.02)	$ 0.01	$ (0.04)
Weighted average common shares outstanding, basic	326,760	57,255	326,160	57,255
Diluted loss per share	$ (0.00)	$ (0.02)	$ (0.01)	$ (0.04)
Weighted average common shares outstanding, diluted	326,760	57,255	326,160	57,255

Cocrystal Pharma, Inc.
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 income	Accumulated deficit	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 stock	(7,046)	(10,108)	721	1	-	-	10,107	-	-	10,108
Merger between Biozone Pharmaceuticals, Inc. and Cocrystal Discovery, Inc.	-	-	-	-	115,907	116	(1,596)	-	-	(1,480)
Exercise of common stock options	-	-	-	-	478	-	57	-	-	57
Stock-based compensation	-	-	-	-	-	-	20	-	-	20
Issuance of common stock and warrants in January 2014	-	-	-		5,500	6	(6)	-	-	-
Unrealized gain on marketable securities	-	-	-	-	-	-	-	1,827	-	1,827
Net income	-	-	-	-	-	-	-	-	4,357	4,357
Balance as of June 30, 2014	-	$ -	1,000	$ 1	121,885	$ 122	$ 12,084	$ 1,827	$ (7,978)	$ 6,056

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

	Six months ended June,	
	2014	2013
Operating activities:		
Net income (loss)	$ 4,357	$ (2,088)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Depreciation	107	119
Stock-based compensation	20	31
Fair value of warrant liabilities in excess of proceeds from financing	946	-
Change in fair value of derivative liabilities	(7,744)	-
Realized gain on sale of marketable securities	(480)	-
Loss on sale of equipment	2	-
Changes in operating assets and liabilities, net of effects of reverse merger with Biozone Pharmaceuticals, Inc.:		
Prepaid expenses and other current assets	(14)	41
Accounts payable and accrued expenses	(312)	(33)
Net cash used in operating activities	(3,118)	(1,930)
Investment activities:		
Cash acquired in reverse merger with Biozone Pharmaceuticals, Inc.	589	-
Long term deposits	(12)	-
Proceeds from sale of marketable securities	5,400	-
Investment in mortgage note receivable	(2,626)	-
Net cash provided by investing activities	3,351	-
Financing activities		
Proceeds from exercise of stock options	57	5
Proceeds from issuance of common stock and warrants	2,750	-
Net cash provided by financing activities	2,807	5
Net increase (decrease) in cash and cash equivalents	3,040	(1,925)
Cash and cash equivalents at beginning of period	1,034	4,717
Cash and cash equivalents at end of period	$ 4,074	$ 2,792
SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Unrealized gain on marketable securities	$ 1,827	$ -
Fair value of assets acquired and liabilities assumed in reverse merger with Biozone Pharmaceuticals, Inc.		
Prepaid expenses and other current assets	$ 3	$ -
Marketable securities	8,811	-
Accounts payable and accrued expenses	410	-
Derivative liabilities	10,475	-

Cocrystal Pharma, Inc.
Notes to the Condensed Consolidated Financial Statements
June 30, 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. 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 June 30, 2014, the Company has funded its operations through equity offerings, private placements of convertible debt and debt financings.

As of June 30, 2014, the Company had an accumulated deficit of $8.0 million. During the three month period ended June 30, 2014, the Company had a loss from operations of $1.4 million. During the six month period ended June 30, 2014, the Company had a loss from operations of $2.9 million. Cash used in operating activities was approximately $3.1 million for the six months ended June 30, 2014. The Company expects to continue to incur substantial operating losses and negative cash flows from operations over the next several years during its clinical development phase.

In addition to the Company's cash balance of $4,074,000 as of June 30, 2014, the Company owns 600,000 shares of MusclePharm, Inc. ("MusclePharm") common stock, as further discussed in Note 7. The 600,000 shares are held in escrow until October 2014 to satisfy any breaches of representations under the Merger Agreement. The Company is uncertain whether the pending eviction proceeding described in Note 11 below will be used by MusclePharm to delay delivery of the shares from escrow. Unless the Company is able to sell the shares of MusclePharm, it does not have sufficient cash to fund its current operating plan for at least the next 12 months. As the Company continues to incur losses, achieving profitability is dependent upon the successful development, approval and commercialization of its product candidates, which is a number of years in the future. Once that occurs, it will have to achieve a level of revenues adequate to support its cost structure. The Company may never achieve profitability, and unless and until it does, it will continue to need to raise additional capital. The Company 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 it may, if appropriate or necessary, sell the MusclePharm common stock, if released from escrow. There can be no assurances, however, that additional funding will be available on terms acceptable to the Company, or at all. 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 in Note 2 to the financial statements included in the Form 10-Q/A.

Use of Estimates

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

Recent Accounting Pronouncements

In June 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-10 , *Development Stage Entities: Elimination of Certain Financial Reporting Requirements, Including an Amendment to Variable Interest Entities Guidance in Topic 810, Consolidation*, which eliminates the concept of a development stage entity, or DSE, in its entirety from GAAP. Under previous guidance, DSEs were required to report incremental information, including inception-to-date financial information, in their financial statements. A DSE is an entity devoting substantially all of its efforts to establishing a new business and for which either planned principal operations have not yet commenced or have commenced but there has been no significant revenues generated from that business. Entities classified as DSEs are no longer subject to these incremental reporting requirements after adopting ASU No. 2014-10. ASU No. 2014-10 is effective for fiscal years beginning after December 15, 2014, with early adoption permitted. Prior to the issuance of ASU No. 2014-10, the Company had met the definition of a DSE since its inception. The Company elected to adopt this ASU early, and therefore it has eliminated the incremental disclosures previously required of DSEs, starting with this Quarterly Report on Form 10-Q.

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 as Level 1 fair value measurements. As further discussed in Note 8 below, 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 June 30, 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 applying a discount for lack of marketability to the quoted market price of the issuer's unrestricted securities. 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	June 30, 2014	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Assets:				
Cash and cash equivalents	$ 4,074	$ 4,074	$ -	$ -
Marketable securities	5,719	-	5,719	-
Total assets	$ 9,793	$ 4,074	$ 5,719	$ -
Liabilities:				
Warrants potentially settleable in cash	$ 6,450	$ -	$ -	$ 6,450
Total liabilities	$ 6,450	$ -	$ -	6,450

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

The company has not transferred any financial instruments into or out of Level 3 classification during the six months ended June 30, 2014. A reconciliation of the beginning and ending Level 3 liabilities for the six months ended June 30, 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 common stock sale	3,696
Change in fair value of warrants for the period ended June 30, 2014	(7,721)
Balance at June 30, 2014	$ 6,450

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 June 30, 2014 (in thousands):

	As of June 30, 2014
Warrants outstanding	26,669
Stock options outstanding	3,848
Options reserved for future issuance under the Company's 2007 Incentive Plan	49,273
Total reserved for future issuance	79,790

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 six months ended June 30, 2014 (in thousands):

	January 2012 warrants	February 2012 warrants	June 2013 warrants	June 2013 warrants	August 2013 warrants	October 2013 warrants	Series A 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 issued	-	-	-	-	-	-	-	5,500	5,500
Outstanding, June 30, 2014	650	1,000	455	1,864	10,000	200	7,000	5,500	26,669

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 income (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 June 30, 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)	1.6	9.1	4.3	9.3	9.5
Cumulative volatility %	67%	105%	82%	105%	105%
Risk-free rate %	0.35%	2.42%	1.36%	2.44%	2.47%

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 six months ended June 30, 2014.

The Company recorded approximately $9,000 and $20,000 of stock-based compensation related to employee and non-employee stock options for the three months and six months ended June 30, 2014, respectively. As of June 30, 2014, there was $44,000 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 1.9 years.

As of June 30, 2014, an aggregate of 53,599,046 shares of common stock were reserved for issuance under the Company's 2007 Incentive Plan, including 3,848,393 shares subject to outstanding common stock options granted under the plan and 49,272,858 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 and restricted share awards.

	Total number of shares	Weighted Average Exercise Price	Aggregate Intrinsic Value
Outstanding options at January 1, 2014	4,402,890	0.11	$ 937,816
Granted	-	-	-
Exercised	(477,795)	0.11	(101,293)
Cancelled	(76,702)	0.11	(16,107)
Outstanding at June 30, 2014	3,848,393	$ 0.11	$ 808,163
Options exercisable at June 30, 2014	3,918,139	$ 0.10	$ 861,991

The aggregate intrinsic value of outstanding and exercisable options at June 30, 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 June 30, 2014 of $0.32 per share less the exercise price of the options. The aggregate intrinsic value is calculated based on the positive difference between the closing fair market value of the company's common stock and the exercise price of the underlying options.

Note 6 – Net Income (Loss) per Share

The Company accounts for and discloses net income (loss) per common share in accordance with FASB ASC Topic 260, "Earnings Per Share". Basic net income (loss) per common share is computed by dividing net income (loss) attributable to common stockholders by the weighted average number of common shares outstanding (which includes the common share equivalents of the outstanding Series B preferred shares). 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 2013 periods presented, diluted net loss per common share is the same as basic net loss per common share for these periods.

The following table sets forth the computation of basic and diluted net income (loss) per share.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Numerator:				
Net income/(loss)	$ 4,730	$ (1,030)	$ 4,357	$ (2,088)
Less change in fair value of derivative liability	5,639	-	7,744	-
Net loss attributable to shareholders	(909)	(1,030)	(3,387)	(2,088)
Denominator:				
Basic and diluted weighted-average shares outstanding	326,760	57,255	326,160	57,255
Net income (loss) per share:				
Basic	$ 0.01	$ (0.02)	$ 0.01	$ (0.04)
Diluted	$ (0.00)	$ (0.02)	$ (0.01)	$ (0.04)

The following table sets forth the number of potential common shares included for the 2014 calculations of net income (loss) per diluted share and excluded from the 2013 calculations of net loss per diluted share because their inclusion would be anti-dilutive (in thousands):

	Three and Six months ended June 30,	
	2014	2013
Options to purchase common stock	3,848	4,403
Warrants to purchase common stock	26,669	3,969
Series A convertible preferred stock	-	9,256
Total	30,517	17,628

Note 7 – Marketable securities held

On January 2, 2014, Biozone sold substantially all its operating assets to Musclepharm Corporation ("Musclepharm"), a public company trading on the OTCBB, in exchange for 1,200,000 shares of Musclepharm common stock. 600,000 shares were placed into escrow for a period of 9 months (the "Escrow Period") to cover indemnification obligations. Additionally, Musclepharm 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. This transaction occurred immediately prior to the Merger described in Note 1 above. These 600,000 non-escrowed shares were sold for $9.00 per share in June 2014 in a private sale.

The estimated fair value of the Musclepharm 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 Musclepharm. The fair value of the Call Option was estimated to be approximately $1,386,000 as of June 30, 2014 and the discount for lack of marketability was estimated to be approximately $140,000. As a result, the escrowed Musclepharm shares are recorded on the consolidated balance sheet at their estimated fair value of $5,719,000 as of June 30, 2014, which represents a discount totaling $1,526,000 from the market price of $7,245,000 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 six months ended June 30, 2014.

Note 9 - Licenses and Collaborations

On September 13, 2011, the Company signed a Share Purchase Agreement with Teva Pharmaceuticals Industries Limited ("Teva"). Under the terms of this agreement, Teva purchased at 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, obtained options to purchase up to an additional $37.5 million of the Company's common stock. Teva has not exercised any options to purchase additional common stock, and all options have expired.

Contemporaneous with the signing of the Share Purchase Agreement, the Company also signed a Research and Collaboration Agreement and an Exclusive License Option Agreement with Teva. Under the terms of the Research and Collaboration Agreement, the Company carried out a research and development program ("R&D Program") to develop novel therapeutics for Hepatitis C that target the viral polymerase enzyme involved in replication of the virus. The R&D Program has been concluded. Teva's options to extend the R&D Program or to receive a license to the technology developed by the Company under the R&D Program have expired. The Company retains all rights to the technology.

Accounting Treatment

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 June 30, 2014, all such options had expired and the liability was reduced to zero.

Note 10 – Mortgage Notes and Other Receivable

In June 2014, the Company acquired a mortgage note from a bank for $2,626,290 which is collateralized by, among other things, the underlying real estate and related improvements. At June 30, 2014, the carrying amount of the mortgage note receivable was $2,626,290 which consisted of $2,518,433 of principal, $80,218 of interest and $27,639 of fees paid to the selling bank. The mortgage note has a maturity date of August 1, 2032 and bears an interest rate of 7.24%. The Company records its mortgage note receivable at the amount advanced to the borrower, which includes the stated principal amount and certain loan origination and commitment fees that are recognized over the term of the mortgage note. Interest income is accrued as earned over the term of the mortgage note. The Company evaluates the collectability of both interest and principal of the note to determine whether it is impaired. The note would be considered to be impaired if, based on current information and events, the Company determined that it was probable that it would be unable to collect all amounts due according to the existing contractual terms. If the note were considered to be impaired, the amount of loss would be calculated by comparing the recorded investment to the value determined by discounting the expected future cash flows at the note's effective interest rate or to the fair value of the Company's interest in the underlying collateral, less the cost to sell. No impairment loss has been recognized in connection with the mortgage note receivable.

Note 11- Contingencies

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.

The Company is named in two legal proceedings both arising out of that real property located at 580 Garcia Avenue, Pittsburg, California (the "Garcia Property") – the location from which the Company previously conducted its principal operations. With respect to the claim concerning the loan secured by the Garcia Property – said loan being guaranteed by one of the Company's subsidiaries, BioZone Laboratories – the loan, as indicated in Note 10 to the Consolidated Financial Statements, was purchased by the Company.

The first proceeding disclosed in the immediately preceding Form 10-Q – the action by the founder/landlord in Contra Costa County is still pending and its status is unchanged. However, the Company's purchase of the loan secured by the Garcia Property potentially affords the Company and its subsidiaries additional defenses to the claims of the founder/landlord in that action.

Finally, the Company has been named as a party to a new lawsuit filed on April 15, 2014 in Contra Costa County by the same founder and former officer of BioZone Laboratories. Also named in this new action are two of the Company's subsidiaries – BioZone Laboratories and Cocrystal Discovery. Filed in the name of the entity controlled by the founder/former officer which currently holds title to the Garcia Property, the action seeks recovery on a promissory note purportedly delivered by BioZone Laboratories in the amount of $295,000. A motion challenging the sufficiency of the allegations in the Complaint was filed. The Company intends to vigorously defend the action.

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 June 30, 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 have selected a lead molecule to advance for IND-enabling studies. Cocrystal's non-nucleoside lead is highly potent, effective against all HCV genotypes, and shows a favorable pharmacokinetic profile. We expect to file regulatory submissions to initiate clinical trials in early 2015. We are also pursuing inhibitors of the HCV NS3 helicase. Cocrystal's helicase inhibitor will be a first-in-class drug, and may be combined with an RNA polymerase inhibitor for greater effectiveness and a higher barrier to resistance.

Influenza. We have developed novel inhibitors of the influenza endonuclease enzyme that is essential for viral genome replication. We expect to file an Investigational New Drug application with the U.S. Food & Drug Administration in December 2015;

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 and Six Months Ended June 30, 2014 and June 30, 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 three months and six months ended June 30, 2014 and 2013. For the three months ended June 30, 2014, we had net income of approximately $4,730,000 compared to a net loss of approximately $1,030,000 for the same period in 2013. For the six months ended June 30, 2014, we had net income of approximately $4,357,000 compared to a net loss of approximately $2,088,000 for the same period in 2013. We reported net income for the three months and six months ended June 30, 2014 primarily due to the substantial decrease in the fair value of our outstanding warrants, which are accounted for as liabilities. Under accounting principles generally accepted in the United States, we record other income or expense for the change in fair value of our outstanding warrants that are accounted for as liabilities during each report period. If the value of the warrants decreases during a period, which occurred during the three and six months ended June 30, 2014, we record other income. If the fair value of the warrants were to increase during the period, we would record other expense. The fair value of our outstanding warrants is inversely related to the fair value of the underlying common stock; as such, a decrease in the fair value of our common stock during a given period generally results in other income while an increase in the fair value of our common stock generally results in other expense. We believe investors should focus on our cash flows contained in our unaudited Consolidated Financial Statements and operating loss rather than net income for the periods presented. Other income related to the change in fair value of our liability-classified warrants for the three and six months ended June 30, 2014 was $5,639,000 and $7,744,000, respectively, and our operating loss for the three months and six months ended June 30, 2014 was $1,387,000 and $2,919,000, respectively, compared to $1,031,000 and $2,090,000 for the same periods in 2013.

Research and Development Expense

Research and development expense consists primarily of compensation-related costs for our 13 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 $888,000 for the three months ended June 30, 2014, compared with $980,000 for the three months ended June 30, 2013. The decrease of $92,000, or 9%, was due to a $50,000 decrease in the personnel costs, a $30,000 decrease in lab supply and services costs and a $12,000 decrease in other operating costs.

Total research and development expenses were approximately $1,853,000 for the six months ended June 30, 2014, compared with $1,986,000 for the six months ended June 30, 2013. The decrease of $133,000, or 7%, was due to a $75,000 decrease in the personnel, a $30,000 decrease in lab supply and services costs and a $28,000 decrease in other operating costs.

The company did not renew its lease on the Mountain View, California lab facility and has consolidated all operations into its Bothell, Washington headquarters, which will result in a non-material reduction in expenses.

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 $499,000 for the three months ended June 30, 2014, compared with $51,000 for the three months ended June 30, 2013. The increase of $448,000, or 878%, was due to a $116,000 increase in compensation-related costs, a $280,000 increase in accounting, legal and other professional services associated with the merger and financing costs, and a $52,000 increase in facilities costs.

General and administrative expense was $1,066,000 for the six months ended June 30, 2014, compared with $104,000 for the six months ended June 30, 2013. The increase of $962,000, or 924%, was due to a $220,000 increase in compensation-related costs, a $660,000 increase in accounting, legal and other professional services associated with the merger and financing costs, and a $82,000 increase in facilities costs.

Interest Income/Expense

Interest income (expense) was negligible for each of the three months and six months ended June 30, 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. We expect interest income to increase subsequent to June 30, 2014 as a result of the mortgage note we acquired in June 2014.

Other Income/Expense

Other income was $6,117,000 and $7,276,000 for the three months and six months ended June 30, 2014, compared with $1,000 and $2,000 for the three months and six months ended June 30, 2013.

The increase in other income of $6,116,000 and $7,274,000 in the three months and six months ended June 30, 2014 was due to a decrease in the fair value of derivative liabilities as our stock price decreased, offset by expense of $946,000 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

We had cash, cash equivalents, and marketable securities of approximately $9.8 million as of June 30, 2014, compared with $1.0 million as of December 31, 2013. The increase of $8.8 million in our cash and cash equivalents from December 31, 2013 to June 30, 2014 was attributable primarily to our $2.75 million common stock financing which closed in January 2014, as well as the cash and marketable securities acquired in the reverse merger, offset by our operating loss for the period.

For the six months ended June 30, 2014, net cash used in operating activities was $3,118,000 compared to net cash used in operating activities of $1,930,000 for the same period in 2013. In 2014, net cash used in operating activities was primarily due to the net operating loss of $2,919,000 and cash used to pay down current liabilities of $312,000, much of which related to accounts payable acquired in the reverse merger. For the six months ended June 30, 2014, net cash provided by investment activities was $3,351,000 compared to no cash generated for the same period in 2013. In 2014, net cash generated by investment activities was primarily due to the sale of marketable securities for $5,400,000, $589,000 of cash acquired in the acquisition of Biozone Laboratories, Inc. and the investment in a mortgage note receivable of $2,626,000. For the six months ended June 30, 2014, net cash provided by financing activities was $2,807,000 compared to cash generated of $5,000 for the same period in 2013. In 2014, net cash generated by financing activities was primarily due to the proceeds from the issuance of common stock of $2,750,000.

Cocrystal has $3,544,000 in cash as of August 7, 2014; in addition it owns 600,000 shares of MusclePharm, Inc. common stock which had a fair market value of $6,600,000 at August 7, 2014. The 600,000 shares are held in escrow until October 2014 to satisfy any breaches of representations under the Asset Purchase Agreement. Assuming that we are able to sell the shares of MusclePharm at current market prices , we have sufficient cash to fund our current operating plan for at least the next 12 months. Otherwise we will have to raise capital through the sale of equity and/or debt securities. 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 June 30, 2015, we estimate negative cash flow of approximately $6.0 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 once released from escrow. 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

In June 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-10 , *Development Stage Entities: Elimination of Certain Financial Reporting Requirements, Including an Amendment to Variable Interest Entities Guidance in Topic 810, Consolidation*, which eliminates the concept of a development stage entity, or DSE, in its entirety from GAAP. Under previous guidance, DSEs were required to report incremental information, including inception-to-date financial information, in their financial statements. A DSE is an entity devoting substantially all of its efforts to establishing a new business and for which either planned principal operations have not yet commenced or have commenced but there has been no significant revenues generated from that business. Entities classified as DSEs are no longer subject to these incremental reporting requirements after adopting ASU No. 2014-10. ASU No. 2014-10 is effective for fiscal years beginning after December 15, 2014, with early adoption permitted. Prior to the issuance of ASU No. 2014-10, we had met the definition of a DSE since its inception. We elected to adopt this ASU early, and therefore we have eliminated the incremental disclosures previously required of DSEs, starting with this Quarterly Report on Form 10-Q.

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 Cocrystal 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 June 30, 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 June 30, 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 June 30, 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.

As disclosed in the Company's Form 10-Q for the quarterly period ended March 31, 2014, the Company faced one actual and one potential legal proceeding both arising out of that real property located at 580 Garcia Avenue, Pittsburg, California (the "Garcia Property") – the location from which the Company previously conducted its principal operations. With respect to the potential claim concerning the loan secured by the Garcia Property – said loan being guaranteed by one of the Company's subsidiaries, BioZone Laboratories – the loan, as indicated in Note 10 to the Consolidated Financial Statements, was purchased by the Company. How this will affect the existing default and foreclosure proceedings is uncertain, as the loan now appears to be in monetary default as a result of the non-payment of principal and interest to the Company by the owner of the Garcia Property – an entity controlled by the founder and former President of BioZone Laboratories.

The second proceeding is the action by the founder/landlord in Contra Costa County is still pending and its status is unchanged. However, the Company's purchase of the loan secured by the Garcia Property potentially affords the Company and its subsidiaries additional defenses to the claims of the founder/landlord in that action.

Finally, the Company has been named as a party to a new lawsuit filed on April 15, 2014 in Contra Costa County by the same founder and former officer of BioZone Laboratories. Also named in this new action are two of the Company's subsidiaries – BioZone Laboratories and Cocrystal Discovery. Filed in the name of the entity controlled by the founder/former officer which currently holds title to the Garcia Property, the action seeks recovery on a promissory note purportedly delivered by BioZone Laboratories in the amount of $295,000. To date, neither the Company nor BioZone Laboratories have been served with the Complaint. Cocrystal Discovery has filed a motion challenging the paucity of factual allegations in the Complaint since it was acquired by the Company on January 2, 2014. Cocrystal Discovery was not a maker or guarantor of the note which was signed a number of years before the January 2, 2014 merger. There is no legal basis for the suit against it. Once served, the Company intends to vigorously defend the action.

ITEM 1.A RISK FACTORS

Not applicable to smaller reporting companies.

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	
31.1	Certification of Principal Executive Officer (302)				Filed
31.2	Certification of Principal Financial Officer (302)				Filed
32.1	Certification of Principal Executive and Principal Financial Officer (906)				Furnished**
101.INS	XBRL Instance Document				Filed
101.SCH	XBRL Taxonomy Extension Schema Document				Filed
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document				Filed
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document				Filed
101.LAB	XBRL Taxonomy Extension Label Linkbase Document				Filed
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document				Filed

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

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

Exhibit 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

I, Gary Wilcox, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Cocrystal Pharma, Inc.;

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

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

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

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

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

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

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

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

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

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

Date: August 14, 2014

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

Exhibit 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

I, Gerald McGuire, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Cocrystal Pharma, Inc.;

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

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

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

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

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

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

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

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

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

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

Date: August 14, 2014

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

Exhibit 32.1

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

In connection with the quarterly report of Cocrystal Pharma, Inc. (the "Company") on Form 10-Q for the quarter ended June 30, 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 for the quarter ended June 30, 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