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

FORM 10-K

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

For the fiscal year ended: **December 31, 2015**

OR

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

For the transition period from: _____________ to _____________

Commission file number: 000-55158

Cocrystal Pharma, Inc.
(Exact name of registrant as specified in its charter)

Delaware	**35-2528215**
(State or Other Jurisdiction of Incorporation or Organization)	*(I.R.S. Employer Identification No.)*
1860 Montreal Road, Tucker GA	**30084**
(Address of Principal Executive Office)	*(Zip Code)*

Registrant’s telephone number, including area code: **(678)-892-8800**

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act: Common Stock, $0.01 par value

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes [ ] No [X]

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes [ ] No [X]

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 [X] 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 during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes [X] No [ ]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

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.

Large accelerated filer	[ ]	Accelerated filer	[X]
Non-accelerated filer	[ ]	Smaller reporting company	[ ]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). [ ] Yes [X] No

The aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the closing price as of the last business day of the registrant’s most recently completed second fiscal quarter, June 30, 2015, was approximately $177 million.

The number of shares outstanding of the registrant’s common stock, as of March 10, 2016, was approximately 704 million shares.

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PART I

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, Item 7 entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" including the Risk Factors.

Overview

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

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

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. 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.

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

Cocrystal Technology

We are developing antiviral therapeutics that inhibit the essential replication function of a virus, including the RNA-dependent RNA polymerase enzyme, the helicase enzyme and the NS5A protein of HCV, and the polymerase enzymes of influenza virus and norovirus. The polymerase inhibitors include both nucleosides (Nucs) and non-nucleosides. To discover and design these inhibitors, we use proprietary antiviral nucleoside chemistry, and a proprietary platform comprising computation, medicinal chemistry, click chemistry, and X-ray crystallography. We determine the structures of cocrystals containing the inhibitors bound to the enzyme or protein to guide our design. We also use advanced computational methods to screen and design product candidates using proprietary cocrystal structural information. In designing the candidates, we seek to anticipate and avert potential viral mutations leading to resistance. By designing and selecting drug candidates that interrupt the viral replication process and also have specific binding characteristics, we seek to develop drugs that are not only effective against both the virus and possible mutants of the virus, but which also have reduced off-target interactions that cause undesirable clinical side effects. While this approach is easy to describe, it is much more difficult to carry out. In particular, an extensive knowledge of viruses and drug targets is required. In addition, knowledge and experience in the fields of structural biology, enzymology, and nucleoside chemistry is required.

We developed our proprietary structure-based drug design and antiviral nucleoside chemistry under the guidance of Dr. Roger Kornberg, our Chief Scientist and recipient of the Nobel Prize in Chemistry in 2006, and Dr. Raymond Schinazi, our Chairman and a world leader in the area of nucleoside chemistry and the founder of several biotechnology companies focusing on antiviral drug discovery and development. Our drug discovery process focuses on those parts of the enzymes to which drugs bind and on drug-enzyme interactions at the atomic level. Additionally, we have developed proprietary targeted in-house chemical libraries of nucleosides, non-nucleoside inhibitors, metal-binding inhibitors, and fragments. Our drug discovery process is different from traditional, empirical, medicinal chemistry approaches that often require iterative high-throughput compound screening and lengthy hit-to-lead processes.

Cocrystal's proprietary technology integrates several powerful and specialized techniques:

(1) Selection of viral drug targets amenable to broad spectrum antiviral drug development and essential for viral genome replication;

(2) Proprietary nucleoside chemistry;

(3) Atomic resolution 3-D structure determination of drug binding pockets;

(4) In-depth computational analysis of conservation of drug-binding pockets and critical molecular interactions between antiviral inhibitors and amino acid residues of the target molecule's drug-binding pocket;

(5) Cocrystal structure determinations to inform hit identification, hit-to-lead, and lead optimization processes;

(6) Molecular modeling and computer-guided lead discovery to support rational chemical modifications based on structure-activity relationships, or SAR, of candidate inhibitor compounds;

(7) Knowledge of enzymatic mechanisms to guide the design of drugs with exceptional affinity, specificity, and broad spectrum activity; and

(8) Platforms for rapid identification of antiviral enzyme inhibitors showing broad spectrum antiviral capability.

We have applied these techniques to develop antiviral inhibitors of three important viruses: hepatitis C, influenza, and norovirus.

Market-Driven Product Profiles

In all of our programs our goal is to develop best-in-class, oral, broad-spectrum, high-barrier-to-resistance drugs. An ideal product for an antiviral therapy would have at least the following characteristics:

(1) Good safety and tolerability profile;

(2) Effective against all viral subtypes that cause disease;

(3) High barrier to viral resistance; and

(4) Ease of administration, for example, a pill.

Even at the discovery stage of drug development, we select compounds with these factors in mind. Furthermore, our technology is capable of delivering therapies that satisfy all of these key factors, as detailed below.

Safety and tolerability: All drugs have side effects, also referred to as adverse effects. These usually result from a drug's ability to bind to human biological molecules (usually proteins). When this interaction is intentional (i.e., part of the drug's mechanism of action), the adverse effects are classified as on-target effects. When this interaction is unintentional (i.e., resulting from the drug's interaction with an unintended human molecule), the effects are called off-target effects. Our inhibitors target viral replication enzymes and a viral replication protein, which are unique to viruses. Because the targets are viral, not human, minimal adverse effects are possible. During the discovery phase, we screen all candidate compounds for potential cross-reactivity with human replication enzymes and eliminate those that are cross-reactive.

Broadly effective against all viral subtypes: For any given viral disease, there are different subtypes of viruses that cause the disease. For example, there are six different subtypes of the virus known to cause hepatitis C. These subtypes are termed "genotypes." Each hepatitis C virus genotype is common in some parts of the world and rare in others.

Most antiviral drugs available today are only effective against certain subtypes of viruses and less effective or not effective at all against other subtypes. To address this problem, we are developing drug candidates that specifically target viral proteins involved in replication. Despite the various subtypes of virus that may exist, these enzymes are essentially identical (highly conserved) among all subtypes of a given virus. By targeting these conserved replication enzymes, our antiviral compounds are designed and tested to be effective against all virus subtypes. Replication enzymes are conserved not only among subtypes of a given virus but among many different viruses, creating an opportunity for the development of broad spectrum antiviral drugs.

High Barrier to Viral Resistance: Viral resistance is a major obstacle to developing effective antiviral therapies. Viruses can reproduce rapidly and in enormous quantities. During reproduction, random variations in viral molecules, called mutations, spontaneously develop. If such a mutation occurs in a viral molecule that is targeted by a given antiviral therapy, that therapy may no longer be effective against the mutated virus. These mutated or "resistant" viruses can freely infect and multiply even in individuals who have received drug treatment. In some cases, resistant virus strains may even predominate. For example, in the 2009 swine influenza pandemic, the predominant strain was resistant to the best available therapies.

Cocrystal's focus on viral replication proteins can overcome the obstacle of viral resistance. We identify and target critical components of viral replication proteins that are essential for function and, therefore, sensitive to change. Any mutation in these critical components is likely to inactivate the protein and, in turn, render the virus incapable of replicating. Because such mutations cannot propagate, the virus cannot effectively develop resistance to the enzyme inhibitors we employ. We test the effectiveness of our compounds against potential viral mutations and select compounds with the highest barrier to resistance.

Ease of administration: We select compounds for development that can be administered orally, preferably once daily, and in pill-form.

Therapeutic Targets

Hepatitis C: A large and increasing market with considerable unmet medical need

Hepatitis C is a viral infection of the liver that according to The World Health Organization in 2013 affects over 150 million people worldwide. The annual number of deaths due to Hepatitis C is estimated at 350,000 globally or nearly 1,000 per day. Most patients develop chronic infections, which can lead to fibrosis (scarring), cirrhosis, liver failure, and liver cancer. The worldwide market for hepatitis C antiviral drugs was $13 billion in 2014 (PRNewswire September 2015) and is expected to grow to $15.5 billion by 2022 (Datamonitor Healthcare August 2013).

Today the hepatitis C market belongs to direct-acting antiviral agents (DAAs) that have activity (are effective against all or multiple hepatitis C virus (HCV) genotypes); have a high barrier to resistance; and are orally available.

Hepatitis C is a highly competitive and changing market. Currently, the standard treatment varies with the genotype of the hepatitis C virus infection. Prior to late 2013, treatment included peginterferon alpha and ribavirin, along with a protease inhibitor (either telaprevir, boceprevir, or simeprevir). In late 2013, sofosbuvir, a drug belonging to a new class of drugs called "nucleoside analogs" or "Nucs," was approved to treat hepatitis C. In patients infected with HCV genotype 1 (the most common HCV genotype in the US), sofosbuvir was administered in combination with peginterferon alpha and ribavirin. In patients with HCV genotypes 2 and 3, however, sofosbuvir could be effectively administered in combination with ribavirin, without the need for peginterferon alpha. In late 2014, new combinations of direct-acting antiviral agents (DAAs), Harvoni(TM) (sofosbuvir/ledipasvir) and Viekira Pak(TM) (ombitasvir/paritaprevir/ritonavir, dasabuvir), were approved to treat HCV genotype 1. In addition to these drugs, several compounds are currently in development by companies such as Janssen, Merck, and Bristol-Myers Squibb.

We were originally pursuing drug candidates that target two distinct HCV replication enzymes – the NS5B polymerase and the NS3 helicase -- that are essential to viral replication and are highly conserved across all HCV genotypes. As a result of the merger with RFS Pharma LLC, we now have two additional drug classes in our HCV portfolio – nucleoside/nucleotide polymerase inhibitors and NS5A inhibitors. We have a preclinical pipeline of pan-genotypic NNI, pan-genotypic Nuc, and pan-genotypic NS5A inhibitors in preclinical development, which represent the potential for significant commercial opportunities. The drug development candidates in our pipeline show excellent pan-genotypic activity against all major HCV genotypes and high barrier to drug resistance. In addition to these properties, our drug development candidates show favorable preclinical safety/tolerability. Manufacturing and IND-enabling studies of these preclinical leads are in progress. We believe there is significant market potential for our unique pan-genotypic combination regimen (Nuc + NNI + NS5A).

We are also developing pan-genotypic antiviral compounds that inhibit HCV helicase, also known as the NS3 helicase, another enzyme that is essential for hepatitis C viral replication. These compounds specifically inhibit an essential step of HCV replication prior to the synthesis of new RNA strands by NS5B polymerase. We believe that we are a leader in developing hepatitis C treatments that target this enzyme. Therefore, our HCV helicase inhibitor could be the first in a new class of treatments for hepatitis C.

We anticipate a significant global HCV market opportunity that will persist through at least 2030, given the large prevalence of HCV infection worldwide (170 million HCV-infected individuals and the majority remain undiagnosed). We have four classes of HCV direct-acting antiviral agents (DAAs) in development, targeting the HCV NS5B polymerase (NNI and Nuc), NS5A, and NS3 helicase, which could be developed as an all-oral, pan-genotypic combination regimen with significant upside. Such a combination treatment with different classes of DAAs has the potential to change the paradigm of treatment for HCV with its efficacy, higher barrier to viral resistance, and shorter duration of treatment. These strategies could allow us to expand and broaden our portfolio in the HCV antiviral therapeutic area, and could also lead to high and fast cure rate, and to a better suppression of the emergence of drug resistance.

Norovirus: A worldwide public health problem responsible for close to 90% of epidemic, non-bacterial outbreaks of gastroenteritis around the world**.**

Norovirus is a very common and highly contagious virus that causes symptoms of acute gastroenteritis including nausea, vomiting, stomach pain and diarrhea. Other symptoms include fatigue, fever and dehydration. Noroviruses are a major cause of gastrointestinal illness in closed and crowded environments, having become notorious for their common occurrence in hospitals, nursing homes, child care facilities, and cruise ships. In the United States alone, noroviruses are the most common cause of acute gastroenteritis, and are estimated to cause 21 million illnesses each year and contribute to 70,000 hospitalizations and 800 deaths. Noroviruses are responsible for up to 1.1 million hospitalizations and 218,000 deaths annually in children in the developing world. In immunosuppressed patients, chronic norovirus infection can lead to a debilitating illness with extended periods of nausea, vomiting and diarrhea. There is currently no effective treatment or effective vaccine for norovirus, and the ability to curtail outbreaks is limited. Few, companies are developing antiviral treatments for this disease. However, three candidate vaccines are currently in early stages of clinical testing by GlaxoSmithKline, Ligocyte and Takeda Pharmaceuticals.

By targeting viral replication enzymes, we believe it is possible to develop an effective treatment for all genogroups of norovirus. Also, because of the significant unmet medical need and the possibility of chronic norovirus infection in immunocompromised individuals, new antiviral therapeutic approaches may warrant an accelerated path to market. Cocrystal is developing inhibitors of the RNA-dependent RNA polymerase of norovirus. Similar to the hepatitis C virus polymerases, this enzyme is essential to viral replication and is highly conserved between all noroviral geno-groups. Therefore, an inhibitor of this enzyme might be an effective treatment or short-term prophylactic agent (when administered during a cruise or nursing home stay, for example). We have developed a preclinical Nuc which exhibits broad spectrum anti-norovirus activity. In addition, we have developed X-ray quality norovirus polymerase crystals. We are implementing the platform and approaches that have proven successful in our other antiviral programs.

Influenza: A worldwide public health problem, including the potential for pandemic disease.

Influenza is a severe respiratory illness, caused by either influenza A or B virus, that results in yearly outbreaks of disease during the winter months. The Centers for Disease Control (CDC) estimates that influenza is linked to 49,000 deaths and 200,000 hospitalizations each year in the United States. The worldwide market for antiviral drugs to treat influenza was $3.8 billion dollars in 2012 and is expected to grow to $6 billion dollars by 2018 (bccResearch).

Currently, approved antiviral treatments for influenza are effective, but burdened with significant viral resistance. Strains of influenza virus that are resistant to the approved treatments osteltamivir phosphate (Tamiflu(R)) and zanamavir (Relenza(R)) have appeared, and in some cases predominate. For example, the predominant strain of the 2009 swine influenza pandemic was resistant to Tamiflu. These drugs target viral neuraminadase enzymes, which are not highly conserved between viral strains. In fact, different influenza virus strains such as H1N1 and H5N1 are named according to their respective differences in hemagglutinin (H) and neuraminidase (N). The ability of the influenza virus to produce viable variants of these two proteins is the key to its ability to develop resistance to these drugs.

We are developing drug candidates that are specifically designed to be effective against all strains of the influenza A virus and to have a high barrier to resistance. Our drug candidates target a replication enzyme complex essential to viral replication, and should be effective against all forms of influenza A, including avian influenza, an emerging public health concern in Asia. The influenza replication complex consists of three different proteins: PA, PB1, and PB2. We have developed X-ray quality influenza crystals, and structure-based leads with an excellent broad spectrum activity against major serotypes. A small number of antiviral product candidates that are competitors for Cocrystal's influenza program are one Nuc (Favipiravir), developed by Toyoma Chemical, and VX-787, developed by Janssen.

Intellectual Property

Our success depends, in part, upon our ability to protect our core technology. To establish and protect our proprietary rights, we rely on a combination of patents, patent applications, trademarks, copyrights, trade secrets and know-how, license agreements, confidentiality procedures, non-disclosure agreements with third parties, employee disclosure and invention assignment agreements, and other contractual rights.

As of December 31, 2015, our patent portfolio consisted of patents and pending applications in the areas primarily related to the treatment of HCV, HIV, Norovirus and Ebola.

With respect to treatment of HCV, our portfolio is divided into three groups, related to our NS5B, NS3 and NS5A programs. The NS5B program includes both nucleoside (Nuc) and non-nucleoside (NNI) compounds. In our NS5B Nuc program, we had two patents, one U.S. non-provisional application, three U.S. provisional applications, two international applications filed under the Patent Cooperation Treaty (PCT) at the World Intellectual Property Organization (WIPO), and fifteen foreign counterpart applications, over five patent families. The counterpart foreign applications were filed in a number of countries and regions depending on the particular patent family, including Brazil, Canada, Japan, Europe, India, Korea, Mexico and Russia. In our NS5B NNI program, our patent portfolio consisted of two related families, including one granted U.S. patent and two pending U.S. patent applications, with one counterpart application pending in the European Patent Office.

In our NS3 protease program, we had two issued patent families, including two issued U.S. patents, one issued foreign counterpart and twelve foreign counterparts pending, depending on the particular patent family, in Australia, Brazil, Canada, China, Europe, Hong Kong, India, Israel, Japan and Mexico.

In our NS5A program, we have two issued U.S. patents, one pending divisional patent application, one international patent application and foreign counterpart applications pending in Brazil, Canada, Europe and India.

In our Ebola program, our patent portfolio consisted of one pending U.S. provisional patent application. In our Norovirus program, our patent portfolio consisted of one issued U.S. patent and three pending foreign counterpart applications. IN our HIV program, our patent portfolio consisted of one issued U.S. patent.

The term of individual patents depends upon the countries in which they are granted. In most countries, the patent term is 20 years from the earliest claimed filing data. In the United States, a patent's term may be up to 21 years if the earliest claimed filing date is that of a provisional application. Other legal provisions may, however, shorten or lengthen a patent's term. In the United States, a patent's term may, in certain cases, be lengthened by patent term adjustment, which compensates a patentee for undue administrative delays by the U.S. Patent and Trademark Office in examining and granting a patent. Alternatively, a patents' term may be shortened if a patent is terminally disclaimed over a commonly owned patent or patent naming a common investor and having an earlier expiration date. The Drug Price Competition and Patent Restoration Act of 1984, or Hatch-Waxman Act, permits and patent term restoration of up to five years beyond the expiration of at U.S. patent as partial compensation for the length of time the drug is under regulatory review. Similar patent extensions are available in some other countries (Where they may be termed supplementary protection certificates or SPC's).

Collaborations

Emory University: Cocrystal Pharma has an exclusive license from Emory University for use of certain inventions and technology related to inhibitors of HCV that were jointly developed by Emory and Cocrystal Pharma employees. The License Agreement is dated March 7, 2013 wherein Emory agrees to add to the Licensed Patents and Licensed Technology Emory's rights to any patent, patent application, invention, or technology application that is based on technology disclosed within three (3) years of March 7, 2013. The agreement includes payments due to Emory ranging from $40,000 to $500,000 based on successful achievement of certain drug development milestones. Additionally, Cocrystal may have royalty payments at 3.5% of net sales due to Emory with a minimum in year one of $25,000 and increase to $400,000 in year five upon product commercialization. One of Cocrystal's Directors, Dr. Raymond Schinazi, is also a faculty member at Emory University.

NIH: Cocrystal Pharma has two Public Health Biological Materials License Agreements with the NIH. The original License Agreements were dated August 31, 2010 and it was amended on November 6, 2013. The materials licensed are being used in Norovirus assays to screen potential antiviral agents in our library.

University of Pittsburgh and Emory University: Cocrystal Pharma assigned its patent rights to the patent titled "3'-AZIDO PURINENUCLEOTIDE PRODRUGS FOR TREATMENT OF VIRAL INFECTIONS" to University of Pittsburgh on November 21, 2014. This patent is jointly owned by Cocrystal Pharma, the University of Pittsburgh and Emory University. One of Cocrystal's Directors, Dr. Raymond Schinazi, is also a faculty member at Emory University.

Duke University and Emory University: Cocrystal Pharma has entered an agreement to license various patents and know-how to use CRISPR/Cas9 technologies for developing a possible cure for hepatitis B virus (HBV) and human papilloma virus (HPV). This license allows Cocrystal Pharma to develop and potentially commercialize a cure for HBV and HPV utilizing the underlying patents and technologies developed by the universities. This agreement includes a non-refundable $100,000 license fee payable to Duke upon a determination of rights letter from the U.S. Veterans Administration with respect to patents and know-how that disclaims any ownership interest. Future royalties may be payable to Duke, ranging from 2-5% of net sales depending on achieving certain sales milestones, if commercial products are developed using this know-how. One of Cocrystal's Directors, Dr. Raymond Schinazi, is also a faculty member at Emory University.

Competition

The biotechnology and pharmaceutical industries are subject to intense and rapidly changing competition as companies seek to develop new

technologies and proprietary products. We know of several companies that have marketed or are developing products for the treatment of hepatitis C and influenza, including Gilead Sciences, Inc., Merck & Co., Janssen Pharmaceuticals, Inc., Bristol-Myers Squibb, Toyoma Chemical Co. and Abbvie, Inc. These and other companies developing products for the other viral diseases that are of interest to us have substantially greater financial resources, expertise and capabilities than we do.

Government Regulation

Government authorities extensively regulate the research, development, testing, manufacturing and commercialization of drug products. Any product candidates we develop must be approved by the FDA before they may be legally marketed in the U.S., and by the appropriate foreign regulatory agencies before they may be legally marketed in other countries. The clinical testing of product candidates to establish their safety and efficacy in humans is subject to substantial statutory and regulatory requirements with which we must comply.

Research and Development Expenses

Manufacturing

We do not own or operate, and have no plans to establish any manufacturing facilities. Our chemistry laboratory can produce research scale (milligram-gram) quantities of our lead drug candidates. As such, our progress is often dependent on successful project execution by third party vendors.

Employees

We employ 23 full-time employees. Of these full-time employees, 18 are engaged in research and development activities.

Legacy Business

Our Legacy Business

Prior to the merger with Cocrystal Discovery on January 2, 2014, we were primarily engaged in the business of developing and manufacturing over-the-counter drug products (OTC) and cosmetic and beauty products for third parties. In addition, Cocrystal marketed two lines of proprietary skin care products. All of these assets were sold to MusclePharm as part of the January 2, 2014 Asset Purchase Agreement in exchange for 1,200,000 shares of MusclePharm common stock which had a market value as of January 2, 2014 of $9,840,000. In addition, MusclePharm licensed back to us the patents we sold it for six months in exchange for our paying it a 5% royalty on gross sales. We did not sell minority interests in three companies, one of which is publicly traded. In addition, we did not sell to MusclePharm a license which the publicly traded company had previously issued to us.

We also owned a 45% interest in BetaZone Laboratories, LLC (“BetaZone”), which was engaged in the sale and license of pharmaceutical and cosmetic products in Latin America. We received no material royalties from BetaZone, which had licensed our proprietary technology. This technology was also sold to MusclePharm.

We were incorporated as a Nevada corporation on December 4, 2006, and in March, 2014, we re-incorporated in Delaware. At the time of our incorporation in 2006, our corporate name was International Surf Resorts Inc. We changed our name to Biozone Pharmaceuticals, Inc. on March 1, 2011. We acquired Biozone Labs and our other subsidiaries on June 30, 2011. Prior to that time, we were an Internet-based provider of international surf resorts, camps and guided surf tours.

Item 1A. Risk Factors.

You should consider carefully the following risk factors, together with all of the other information included or incorporated in this Annual Report. Each of these risk factors, either alone or taken together, could adversely affect our business, operating results and financial condition, and adversely affect the value of an investment in our common stock. There may be additional risks that we do not know of or that we believe are immaterial that could also impair our business and financial position.

RISK FACTORS

Investing in our common stock involves a high degree of risk. You should carefully consider the following risk factors before deciding whether to invest in the Company. If any of the events discussed in the risk factors below occur, our business, financial condition, results of operations or prospects could be materially and adversely affected. In such case, the value and marketability of the common stock could decline.

RISKS RELATED TO OUR FINANCIAL CONDITION AND NEED FOR ADDITIONAL CAPITAL

We have never generated revenue and expect that due to the regulatory constraints on a drug development company with products in the pre-clinical stage, we may not ever generate revenue and may continue to incur significant losses for the foreseeable future.

We are a preclinical-stage, biopharmaceutical discovery and development company. Since inception, our operations have been limited to organizing and staffing the Company, acquiring and developing intellectual property rights, developing our technology platform, undertaking basic research on viral replication enzyme targets and conducting preclinical studies for our initial programs. Thereafter, because of the need to complete clinical trials, establish safety and efficacy and obtaining regulatory approval, we do not anticipate generating revenue for at least 5 years and will continue to sustain large losses.

Based on cash on hand as of December 31, 2015 of $9.3 million and subsequent financing received of $5.0 million, Cocrystal does not have the capital to finance operations for the next 12 months. This raises doubt about our ability to be a going concern.

We have not and may never file a New Drug Application (NDA) or its foreign equivalent, necessary to legally sell products in the U.S. of foreign markets.

We have devoted the majority of our financial resources to research and development. We have financed our operations primarily through the sale of equity securities. The results of our operations will depend, in part, on the rate of future expenditures and our ability to obtain funding through equity or debt financings, strategic alliances or grants. We anticipate our expenses will increase substantially if and as we continue our research and preclinical development of our product candidates. We anticipate that if we undertake clinical studies our expenses will increase even further.

Because we have yet to generate any revenue on which to evaluate our potential for future success and to determine if we will be able to execute our business plan, it is difficult to evaluate our future prospects and the risk of success or failure of our business.

Our ability to generate revenue and achieve profitability depends on our ability, alone or with partners, to successfully complete the development of, obtain the regulatory approvals for and commercialize pharmaceutical product candidates. We have no pharmaceutical product candidates that have generated any commercial revenue, do not expect to generate revenues from the commercial sale of pharmaceutical products in the near future, and might never generate revenues from the sale of pharmaceutical products. Our ability to generate revenue and achieve profitability will depend on, among other things, the following:

- identifying and validating new therapeutic strategies;
- completing our research and preclinical development of pharmaceutical product candidates;
- initiating and completing clinical trials for pharmaceutical product candidates;
- seeking and obtaining regulatory marketing approvals for pharmaceutical product candidates that successfully complete clinical trials;
- establishing and maintaining supply and manufacturing relationships with third parties;
- launching and commercializing pharmaceutical product candidates for which we obtain regulatory marketing approval, with a partner or, if launched independently, successfully establishing a sales force, marketing and distribution infrastructure;
- maintaining, protecting, enforcing, defending and expanding our intellectual property portfolio; and
- attracting, hiring and retaining qualified personnel.

Because of the numerous risks and uncertainties associated with pharmaceutical product development, we cannot predict the timing or amount of increased expenses and when we will be able to achieve or maintain profitability, if ever. Our expenses could increase beyond expectations if we are required by the FDA or foreign regulatory agencies to perform unanticipated studies and trials.

Even if one or more pharmaceutical product candidates we independently develop is approved for commercial sale, we anticipate incurring significant costs associated with commercializing any approved pharmaceutical product candidate. Moreover, if we can generate revenues from the sale of any approved pharmaceutical products, we may not become profitable and may need to obtain additional funding to continue operations.

If we do not raise additional debt or equity capital, we may not be able to remain operational.

Developing pharmaceutical products, including conducting preclinical studies and clinical trials, is very expensive. We expect our research and development expenses to substantially increase as we advance our product candidates toward clinical programs. In order to conduct these trials, we will need to raise additional capital to support our operations and such funding may not be available to us on acceptable terms, or at all.

As we move lead compounds through toxicology and other preclinical studies, also referred to as nonclinical studies, we will be required to file an Investigational New Drug application ("IND") or its equivalent in foreign countries, and as we conduct clinical development of product candidates, we may have adverse results that may cause us to consume additional capital. Our partners may not elect to pursue the development and commercialization of our product candidates subject to our respective agreements with them. These events may increase our development costs more than we expect. We may need to raise additional capital or otherwise obtain funding through strategic alliances if we initiate clinical trials for new product candidates other than programs currently partnered. We will require additional capital to obtain regulatory approval for, and to commercialize, product candidates.

If we must secure additional financing, such additional fundraising efforts may divert our management from our day-to-day activities, which may adversely affect our ability to develop and commercialize product candidates. We cannot guarantee that future financing will be available in sufficient amounts or on terms acceptable to us, if at all. If we cannot raise additional capital when required or on acceptable terms, we may be required to:

- significantly delay, scale back or discontinue the development or commercialization of any product candidates;
- seek strategic alliances for research and development programs at an earlier stage than otherwise would be desirable or on terms less favorable than might otherwise be available; or
- relinquish or license on unfavorable terms, our rights to technologies or any product candidates we otherwise would seek to develop or commercialize ourselves.

If we are unable to raise additional capital in sufficient amounts or on terms acceptable to us, we will be prevented from pursuing development and commercialization efforts, which will have a material adverse effect on our business, operating results and prospects or sufficient enough to render the Company unable to continue operations at all..

RISKS RELATED TO THE DISCOVERY AND DEVELOPMENT OF PRODUCT CANDIDATES

Because the approach we are taking to discover and develop drugs is novel, it may never lead to marketable products.

We are concentrating our antiviral therapeutic product research and development efforts using our proprietary technology, and our future success depends on the continued successful development of this technology and the products derived from it. We have no drug products or drug product candidates. The scientific discoveries that form the basis for our efforts to discover and develop drug product candidates are relatively new and unproven. The scientific evidence to support the feasibility of developing product candidates based on our approach is limited. If we do not successfully develop and commercialize drug product candidates based upon our technological approach, we may not become profitable and the value of our stock may decline.

Further, our focus on Cocrystal's technology for developing drugs, as opposed to relying entirely on more standard technologies for drug development, increases the risks associated with the ownership of our stock. If we are unsuccessful in developing any product candidates using Cocrystal's technology, we may be required to change the scope and direction of our product development activities. We may not identify and implement successfully an alternative product development strategy, and may as a result cease operations.

If we do not succeed in our efforts to identify or discover potential product candidates, your investment may be lost.

The success of our business depends primarily upon our ability to identify, develop and commercialize antiviral drug products, an extremely risky business. Our research programs may initially show promise in identifying potential product candidates, yet fail to yield product candidates for clinical development for several reasons, including:

- our research methodology or that of our partners may be unsuccessful in identifying potential product candidates;
- potential product candidates may have harmful side effects or may have other characteristics that may make the products unmarketable or unlikely to receive marketing approval; and
- we or our partners may change their development profiles for potential product candidates or abandon a therapeutic area.

Such events may force us to abandon our development efforts for a program or programs, which would have a material adverse effect on our business and could cause us to cease operations. Research programs to identify new product candidates require substantial technical, financial and human resources. We may focus our efforts and resources on potential programs or product candidates that ultimately prove to be unsuccessful.

If we are unable to successfully complete preclinical testing and clinical trials of our product candidates or experience significant delays in doing so, our business will be materially harmed.

We intend to invest a significant portion of our efforts and financial resources in the identification and preclinical development of product candidates that target viral replication enzymes. Our ability to generate product revenues, which we do not expect will occur for many years, if ever, will depend heavily on the successful development and eventual commercialization of our product candidates.

The commercial success of our product candidates will depend on several factors, including:

- successful completion of preclinical studies and clinical trials;
- receipt of marketing and pricing approvals from regulatory authorities;
- obtaining and maintaining patent and trade secret protection for product candidates;
- establishing and maintaining manufacturing relationships with third parties or establishing our own manufacturing capability; and
- commercializing our products, if and when approved, whether alone or in collaboration with others.

If we do not achieve one or more of these factors in a timely manner or at all, we could experience significant delays or an inability to successfully complete development of, or to successfully commercialize, our product candidates, which would materially harm our business. Most pharmaceutical products that do overcome the long odds of drug development and achieve commercialization still do not recoup their cost of capital. If we are unable to design and develop each drug to meet a commercial need far in the future, the approved drug may become a commercial failure and our investment in those development and commercialization efforts will have been commercially unsuccessful.

We may be unable to demonstrate safety and efficacy of our product candidates to the satisfaction of regulatory authorities or we may incur additional costs or experience delays in completing, or ultimately be unable to complete, the development and commercialization of our product candidates.

Before obtaining marketing approval from regulatory authorities for the sale of product candidates, we or our partners must conduct extensive preclinical studies and clinical trials to demonstrate the safety and efficacy of the product candidates in humans. Clinical testing is expensive, difficult to design and implement, can take many years to complete and is uncertain as to outcome. A failure of one or more clinical trials can occur at any stage of testing. The outcome of preclinical studies and early clinical trials may not be predictive of the success of later clinical trials, and interim results of a clinical trial do not predict final results. Moreover, preclinical and clinical data are often susceptible to varying interpretations and analyses, and many companies that have believed their product candidates performed satisfactorily in preclinical studies and clinical trials have nonetheless failed to obtain marketing approval for their products.

Events that may cause a delay or unsuccessful completion of clinical development include, as examples:

- delays in agreeing with the FDA or other regulatory authorities on final clinical trial design;
- imposition of a clinical hold following an inspection of our clinical trial operations or trial sites by the FDA or other regulatory authorities;
- delays in agreeing on acceptable terms with prospective contract research organizations, or CROs, and clinical trial sites;
- delays in obtaining required institutional review board approval at each clinical trial site;
- delays in recruiting suitable patients to participate in a trial;
- delays in the testing, validation, manufacturing and delivery of the product candidates to the clinical sites;
- delays in having patients complete participation in a trial or return for post-treatment follow-up;
- delays caused by patients dropping out of a trial due to product side effects or disease progression;
- clinical sites dropping out of a trial to the detriment of enrollment;
- time required to add new clinical sites; or
- delays by our contract manufacturers in producing and delivering sufficient supply of clinical trial materials.

If we or our partners must conduct additional clinical trials or other testing of any product candidates beyond those that are contemplated, or are unable to successfully complete clinical trials or other testing of any the product candidates, or if the results of these trials or tests are not positive or are only modestly positive or if there are safety concerns, we or our partners may:

- be delayed in obtaining marketing approval for our product candidates;
- not obtain marketing approval at all;
- obtain approval for indications or patient populations not as broad as intended or desired;
- obtain approval with labeling that includes significant use or distribution restrictions or safety warnings;
- be subject to additional post-marketing testing requirements; or
- remove the product from the market after obtaining marketing approval.

Our product development costs will also increase if we experience delays in testing or in obtaining marketing approvals. We do not know whether any clinical trials will begin as planned, will need to be restructured or will be completed on schedule if at all. Significant clinical trial delays also could shorten any periods during which we may have the exclusive right to commercialize our product candidates or allow our competitors to bring products to market before we do, which would impair our ability to successfully commercialize our product candidates and may harm our business and results of operations. Any inability to successfully complete preclinical and clinical development, whether independently or with our partners, could cause additional costs to us or impair our ability to generate revenues from our product candidates, including product sales, milestone payments, profit sharing or royalties.

Our product candidates may cause adverse effects or have other properties that could delay or prevent their regulatory approval or limit the scope of any approved label or market acceptance.

Adverse events ("AEs"), that may be observed during clinical trials of our product candidates could cause us, other reviewing entities, clinical trial sites or regulatory authorities to interrupt, delay or halt such trials and could cause denial of regulatory approval. If AEs are observed in any clinical trials of our product candidates, including those our partners may develop under our alliance agreements, our or our partners' ability to obtain regulatory approval for product candidates may be negatively impacted.

Serious or unexpected side effects caused by an approved product could result in significant negative consequences, including:

- regulatory authorities may withdraw prior approval of the product or impose restrictions on its distribution in the form of a modified risk evaluation and mitigation strategy;
- we may be required to add labeling statements, such as warnings or contraindications;
- we may be required to change the way the product is administered or conduct additional clinical trials;
- we could be sued and held liable for harm caused to patients; and
- our reputation may suffer.

These events could prevent us or our partners from achieving or maintaining market acceptance of the affected product and could substantially increase the costs of commercializing our products and impair our ability to generate revenues from the commercialization of these products either by us or by our partners.

Even if we complete the necessary preclinical studies and clinical trials, we cannot predict whether or when we will obtain regulatory approval to commercialize a product candidate and we cannot, therefore, predict the timing of any revenue from a product.

Neither we nor any partners we may have can commercialize a product until the appropriate regulatory authorities, such as the FDA or its foreign equivalent, have reviewed and approved the product candidate. The regulatory agencies may not complete their review processes in a timely manner, or we may not be able to obtain regulatory approval. Additional delays may result if an FDA Advisory Committee or foreign regulatory authority recommends restrictions on approval or recommends non-approval.

Following regulatory approval for a product candidate, we will still face extensive regulatory requirements and the approved product may face future development and regulatory difficulties.

Even if we obtain regulatory approval in the United States, the FDA may still impose significant restrictions on the indicated uses or marketing of our product candidates, or impose ongoing requirements for potentially costly post-approval studies or post-market surveillance. The holder of an approved New Drug Application ("NDA"), must monitor and report AEs and any failure of a product to meet the specifications in the NDA. The holder of an approved NDA must also submit new or supplemental applications and obtain FDA approval for certain changes to the approved product, product labeling or manufacturing process. Advertising and promotional materials must comply with FDA rules and other applicable federal and state laws, and are subject to FDA review.

Drug product manufacturers and their facilities are subject to payment of user fees and continual review and periodic inspections by the FDA and other regulatory authorities for compliance with current Good Manufacturing Practices ("cGMP"), and adherence to commitments made in the NDA. If we or a regulatory agency discover previously unknown problems with a product such as AEs of unanticipated severity or frequency, or problems with the facility where the product is manufactured, a regulatory agency may impose restrictions on that product or the manufacturing facility, including requiring recall or withdrawal of the product from the market or suspension of manufacturing.

If we or our partners fail to comply with regulatory requirements following approval of our product candidates, a regulatory agency may:

- issue a warning letter asserting we are in violation of the law;
- seek an injunction or impose civil or criminal penalties or monetary fines;
- suspend or withdraw regulatory approval;
- suspend any ongoing clinical trials;
- refuse to approve a pending NDA or supplements to an NDA submitted by us;
- seize product; or
- refuse to allow us to enter into supply contracts, including government contracts.

Our defense of any government investigation of alleged violations of law, or any lawsuit alleging such violations, could require us to expend significant time and resources in response and could generate negative publicity. The occurrence of any event or penalty described above may prevent or inhibit our ability to commercialize our products and generate revenues.

We may not succeed in obtaining or maintaining necessary rights to drug compounds and processes for our development pipeline through acquisitions and in-licenses.

We may be unable to acquire or in-license any compositions, methods of use, processes or other third-party intellectual property rights from third parties we identify. The licensing and acquisition of third-party intellectual property rights is a competitive area, and more established companies are also pursuing strategies to license or acquire third-party intellectual property rights we may consider attractive. These established companies may have a competitive advantage over us due to their size, cash resources and greater clinical development and commercialization capabilities.

Companies that perceive us to be a competitor may be unwilling to assign or license rights to us. We also may be unable to license or acquire third-party intellectual property rights on terms that would allow us to make an appropriate return on our investment. If we are unable to successfully obtain rights to required third-party intellectual property rights, our business, financial condition and prospects for growth could suffer.

If we fail to comply with environmental, health and safety laws and regulations, we could become subject to fines or penalties or incur costs that could have a material adverse effect on the success of our business.

We are subject to numerous environmental, health and safety laws and regulations, including those governing laboratory procedures and the handling, use, storage, treatment and disposal of hazardous materials and wastes. Our operations involve using hazardous and flammable materials, including chemicals and biological materials. Our operations also produce hazardous waste products. We generally contract with third parties for the disposal of these materials and wastes. We cannot eliminate the risk of contamination or injury from these materials. If contamination occurs or injury results from our use of hazardous materials, we could be held liable for any resulting damages, and any liability could exceed our resources. We also could incur significant costs associated with civil or criminal fines and penalties.

Although our workers' compensation insurance may cover us for costs and expenses we may incur due to injuries to our employees resulting from the use of hazardous materials or other work-related injuries, this insurance may not provide adequate coverage against other potential liabilities. We may incur substantial costs to comply with current or future environmental, health and safety laws and regulations. These current or future laws and regulations may impair our research, development or production efforts. Failure to comply with these laws and regulations also may cause substantial fines, penalties or other sanctions.

Compliance with governmental regulations regarding the treatment of animals used in research could increase our operating costs, which would adversely affect the commercialization of our technology.

The Animal Welfare Act ("AWA"), is the federal law that covers the treatment of certain animals used in research. The AWA imposes a wide variety of specific regulations that govern the humane handling, care, treatment and transportation of certain animals by producers and users of research animals, most notably relating to personnel, facilities, sanitation, cage size, feeding, watering and shipping conditions. Third parties with whom we contract are subject to registration, inspections and reporting requirements. Some states have their own regulations, including general anti-cruelty legislation, which establish certain standards in handling animals. If we or our contractors fail to comply with regulations concerning the treatment of animals used in research, we may be subject to fines and penalties and adverse publicity, and our operations could be adversely affected.

Public perception of ethical and social issues may limit or discourage the type of research we conduct.

Our clinical trials will involve people, and we and third parties with whom we contract also do research using animals. Governmental authorities could, for public health or other purposes, limit the use of human or animal research or prohibit the practice of our technology. In addition, animal rights activists could protest or make threats against our facilities, which may cause property damage and delay our research. Ethical and other concerns about our methods, such as our use of human subjects in clinical trials or our use of animal testing, could adversely affect our market acceptance.

We have limited experience in conducting and managing the preclinical development activities and clinical trials necessary to obtain approvals for marketing our product candidates, including approval by the FDA.

Our efforts to develop our product candidates are at an early stage. To date we have not entered a compound into human clinical trials. We may be unable to progress our product candidates undergoing preclinical testing into clinical trials. Success in preclinical testing and early clinical trials does not ensure that later clinical trials will succeed, and favorable initial results from a clinical trial do not determine outcomes in subsequent clinical trials. The indications of use for which we are pursuing development may have clinical effectiveness endpoints not previously reviewed or validated by the FDA or foreign regulatory authorities, which may complicate or delay our effort to obtain marketing approval. We cannot guarantee that our clinical trials will succeed. In fact, most compounds fail in clinical trial, even at companies far larger and more experienced than us.

We have not obtained marketing approval or commercialized any of our product candidates. We may not successfully design or implement clinical trials required for marketing approval to market our product candidates. If we are unsuccessful in conducting and managing our preclinical development activities or clinical trials or obtaining marketing approvals, we might not be able to commercialize our product candidates, or might be significantly delayed in doing so, which will materially harm our business.

RISKS RELATED TO OUR RELIANCE ON THIRD PARTIES

If we form strategic alliances which are unsuccessful or are terminated, we may be unable to develop or commercialize certain product candidates and we may be unable to generate revenues from our development programs.

We are likely to use third party alliance partners for financial, scientific, manufacturing, marketing and sales resources for the clinical development and commercialization of certain of our product candidates. These strategic alliances will likely constrain our control over development and commercialization of our product candidates, especially once a candidate has reached the stage of clinical development. Our ability to recognize revenues from successful strategic alliances may be impaired by several factors including:

- a partner may shift its priorities and resources away from our programs due to a change in business strategies, or a merger, acquisition, sale or downsizing of its company or business unit;
- a partner may cease development in therapeutic areas which are the subject of our strategic alliances;
- a partner may change the success criteria for a program or product candidate delaying or ceasing development of such program or candidate;
- a significant delay in initiation of certain development activities by a partner could also delay payment of milestones tied to such activities, impacting our ability to fund our own activities;
- a partner could develop a product that competes, either directly or indirectly, with an alliance product;
- a partner with commercialization obligations may not commit sufficient financial or human resources to the marketing, distribution or sale of a product;
- a partner with manufacturing responsibilities may encounter regulatory, resource or quality issues and be unable to meet demand requirements;
- a partner may exercise its rights under the agreement to terminate a strategic alliance;
- a dispute may arise between us and a partner concerning the research, development or commercialization of a program or product candidate resulting in a delay in milestones, royalty payments or termination of a program and possibly resulting in costly litigation or arbitration which may divert management attention and resources; and
- a partner may use our proprietary information or intellectual property to invite litigation from a third party or fail to maintain or prosecute intellectual property rights possibly jeopardizing our rights in such property.

Termination of a strategic alliance may require us to seek out and establish alternative strategic alliances with third-party partners; this may not be possible, or we may not be able to do so on terms acceptable to us, in which case it may be necessary for us to limit the size or scope of one or more of our programs or increase our expenditures and seek additional funding by other means. Such events would likely have a material adverse effect on our results of operations and financial condition.

We expect to rely on third parties to conduct some or all aspects of our compound formulation, research and preclinical testing, and those third parties may not perform satisfactorily.

We do not expect to independently conduct most and certainly not all aspects of our drug discovery activities, compound formulation research or preclinical testing of product candidates. We rely and expect to continue to rely on third parties to conduct some aspects of our preclinical testing.

If these third parties terminate their engagements, we will need to enter into alternative arrangements which would delay our product development activities. Our reliance on these third parties for research and development activities will reduce our control over these activities but will not relieve us of our responsibilities. For product candidates we develop and commercialize on our own, we will remain responsible for ensuring that each of our IND-enabling preclinical studies and clinical trials are conducted under the respective study plans and trial protocols.

If these third parties do not successfully carry out their contractual duties, meet expected deadlines or conduct our studies under regulatory requirements or our stated study plans and protocols, we will not be able to complete, or may be delayed in completing, the necessary preclinical studies to enable us or our partners to select viable product candidates for IND submissions and will not be able to, or may be delayed in our efforts to, successfully develop and commercialize such product candidates.

We intend to rely on third-party manufacturers to produce our preclinical supplies, and we intend to rely on third parties to produce clinical supplies of any product candidates we advance into clinical trials and commercial supplies of any approved product candidates.

Reliance on third-party manufacturers entails risks to which we would not be subject if we manufactured the product candidates ourselves, including:

- the inability to meet any product specifications and quality requirements consistently;
- a delay or inability to procure or expand sufficient manufacturing capacity;
- manufacturing and product quality issues related to scale-up of manufacturing;
- costs and validation of new equipment and facilities required for scale-up;
- a failure to comply with cGMP and similar foreign standards;
- the inability to negotiate manufacturing agreements with third parties under commercially reasonable terms;
- termination or nonrenewal of manufacturing agreements with third parties in a manner or that is costly or damaging to us;
- the reliance on a few sources, and sometimes, single sources for raw materials, such that if we cannot secure a sufficient supply of these product components, we cannot manufacture and sell product candidates in a timely fashion, in sufficient quantities or under acceptable terms;
- the lack of qualified backup suppliers for any raw materials currently purchased from a single source supplier;
- operations of our third-party manufacturers or suppliers could be disrupted by conditions unrelated to our business or operations, including the bankruptcy of the manufacturer or supplier;
- carrier disruptions or increased costs beyond our control; and
- failing to deliver products under specified storage conditions and in a timely manner.

These events could lead to clinical study delays or failure to obtain regulatory approval, or impact our ability to successfully commercialize future products. Some of these events could be the basis for FDA action, including injunction, recall, seizure or total or partial suspension of production.

Because we expect to rely on limited sources of supply for the drug substance and drug product of product candidates, any disruption in the chain of supply may cause a delay in developing and commercializing these product candidates.

We intend to establish manufacturing relationships with a limited number of suppliers to manufacture raw materials, the drug substance, and the drug product of any product candidate for which we are responsible for preclinical or clinical development. Each supplier may require licenses to manufacture such components if such processes are not owned by the supplier or in the public domain. As part of any marketing approval, a manufacturer and its processes must be qualified by the FDA or foreign regulatory authorities prior to commercialization. If supply from the approved vendor is interrupted, there could be a significant disruption in commercial supply. An alternative vendor would need to be qualified through an NDA or marketing authorization supplement, which could cause further delay. The FDA or other regulatory agencies outside of the United States may also require additional studies if a new supplier is relied upon for commercial production.

These factors could cause the delay of clinical trials, regulatory submissions, required approvals or commercialization of our product candidates, cause us to incur higher costs and prevent us from commercializing our products successfully. Furthermore, if our suppliers fail to deliver the required commercial quantities of drug substance or drug product on a timely basis and at commercially reasonable prices, and we are unable to secure one or more replacement suppliers capable of production at a substantially equivalent cost, our clinical trials may be delayed or we could lose potential revenue.

Manufacturing issues may arise that could increase product and regulatory approval costs or delay commercialization.

As we scale up manufacturing of product candidates and conduct required stability testing, product, packaging, equipment and process-related issues may require refinement or resolution to proceed with any clinical trials and obtain regulatory approval for commercial marketing. We may identify significant impurities or stability problems, which could cause increased scrutiny by regulatory agencies, delays in clinical programs and regulatory approval, significant increases in our operating expenses, or failure to obtain or maintain approval for product candidates or any approved products.

We expect to rely on third parties to conduct, supervise and monitor our clinical trials, and if those third parties perform in an unsatisfactory manner, it may harm our business.

We expect to rely on Clinical Research Organizations ("CROs") and clinical trial sites to ensure the proper and timely conduct of our clinical trials. While we will have agreements governing their activities, we and our partners will have limited influence over their actual performance. Nevertheless, we or our partners will be responsible for ensuring that each of our clinical trials is conducted in accordance with its protocol, and all legal, regulatory and scientific standards. Our reliance on the CROs does not relieve us of our regulatory responsibilities.

We, our partners and our CROs must comply with current Good Clinical Practices ("cGCPs"), as defined by the FDA and the International Conference on Harmonization, for conducting, recording and reporting the results of IND-enabling preclinical studies and clinical trials, to ensure that data and reported results are credible and accurate and that the rights, integrity and confidentiality of clinical trial participants are protected. The FDA enforces these cGCPs through periodic inspections of trial sponsors, principal investigators and clinical trial sites. If we or our CROs fail to comply with cGCPs, the clinical data generated in our clinical trials may be deemed unreliable and the FDA may require us to perform additional clinical trials before approving any marketing applications. Our clinical trials will require a sufficiently large number of test subjects to evaluate the safety and effectiveness of a product candidate. If our CROs fail to comply with these regulations or fail to recruit a sufficient number of patients, fail to recruit properly qualified patients or fail to properly record or maintain patient data, we may be required to repeat such clinical trials, which would delay the regulatory approval process.

Our contracted CROs will not be our employees, and we cannot control whether they devote sufficient time and resources to our clinical and nonclinical programs. These CROs may also have relationships with other commercial entities, including our competitors, for whom they may also be conducting clinical trials, or other drug development activities that could harm our competitive position. If our CROs do not successfully carry out their contractual duties or obligations, fail to meet expected deadlines, or if the quality or accuracy of the clinical data they obtain is compromised due to failing to adhere to our clinical protocols or regulatory requirements, or for any other reasons, our clinical trials may be extended, delayed or terminated, and we may not obtain regulatory approval for, or successfully commercialize our product candidates. Our financial results and the commercial prospects for such products and any product candidates we develop would be harmed, our costs could increase, and our ability to generate revenues could be delayed.

We also expect to rely on other third parties to store and distribute drug products for any clinical trials we may conduct. Any performance failure by our distributors could delay clinical development or marketing approval of our product candidates or commercialization of our products, if approved, producing additional losses and depriving us of potential product revenue.

RISKS RELATED TO OUR INTELLECTUAL PROPERTY

If we cannot obtain or protect intellectual property rights related to our future products and product candidates, we may not be able to compete effectively in our markets.

We rely upon a combination of patents, trade secret protection and confidentiality agreements to protect the intellectual property related to our future products and product candidates. The strength of patents in the biotechnology and pharmaceutical field involves complex legal and scientific questions and can be uncertain. The patent applications we own or in-license may fail to result in patents with claims that cover the products in the United States or in other countries. There is no assurance that all of the potentially relevant prior art relating to our patents and patent applications has been found; such prior art can invalidate a patent or prevent a patent from issuing based on a pending patent application. Even if patents do successfully issue, third parties may challenge their validity, enforceability or scope, which may cause such patents to be narrowed or invalidated. Even if unchallenged, our patents and patent applications may not adequately protect our intellectual property or prevent others from designing around our claims.

If the patent applications we hold or have in-licensed regarding our programs or product candidates fail to issue or if their breadth or strength of protection is threatened, it could dissuade companies from collaborating with us to develop product candidates, and threaten our ability to commercialize products. We cannot offer any assurances about which patents will issue or whether any issued patents will be found invalid and unenforceable or will be threatened by third parties. Since patent applications in the United States and most other countries are confidential for a period after filing, and some remain so until issued, we cannot be certain that we were the first to invent a patent application related to a product candidate. In certain situations, if we and one or more third parties have filed patent applications in the United States and claiming the same subject matter, an administrative proceeding can be initiated to determine which applicant is entitled to the patent on that subject matter. Patents have a limited lifespan. In the United States, the natural expiration of a patent is 20 years after it is filed, although various extensions may be available. However the life of a patent, and the protection it affords, is limited. Once the patent life has expired for a product, we may be open to competition from generic medications. Further, if we encounter delays in regulatory approvals, the time during which we could market a product candidate under patent protection could be reduced.

Besides the protection afforded by patents, we rely on trade secret protection and confidentiality agreements to protect proprietary know-how that is not patentable, processes for which patents are difficult to enforce and any other elements of our drug discovery and development processes that involve proprietary know-how, information or technology not covered by patents. Although each of our employees agrees to assign their inventions to us through an employee inventions agreement, and all of our employees, consultants, advisors and any third parties who have access to our proprietary know-how, information or technology to enter into confidentiality agreements, we cannot provide any assurances that all such agreements have been duly executed or our trade secrets and other confidential proprietary information will not be disclosed or that competitors will not otherwise gain access to our trade secrets or independently develop substantially equivalent information and techniques. The FDA, as part of its Transparency Initiative, is considering whether to make additional information publicly available on a routine basis, including information we may consider to be trade secrets or other proprietary information, and it is not clear how the FDA's disclosure policies may change, if at all.

The laws of some foreign countries do not protect proprietary rights to the same extent or in the same manner as the laws of the United States. We may encounter significant problems in protecting and defending our intellectual property both in the United States and abroad. If we are unable to prevent material disclosure of the non-patented intellectual property related to our technologies to third parties, and there is no guarantee we will have any such enforceable trade secret protection, we may not be able to establish or maintain a competitive advantage in our market, which could materially adversely affect our business, results of operations and financial condition.

Third-party claims of intellectual property infringement may prevent or delay our development and commercialization efforts.

Our commercial success depends in part on our avoiding infringement of the patents and proprietary rights of third parties. There is substantial litigation, both within and outside the United States, involving patent and other intellectual property rights in the biotechnology and pharmaceutical industries, including patent infringement lawsuits, interferences, oppositions, and reexaminations and other post-grant proceedings before the U.S. Patent and Trademark Office ("U.S. PTO"), and corresponding foreign patent offices. Numerous U.S. and foreign issued patents and pending patent applications, which are owned by third parties, exist in the fields in which we and our partners are pursuing product candidates. As the biotechnology and pharmaceutical industries expand and more patents are issued, the risk increases that our product candidates may be subject to claims of infringement of the patent rights of third parties.

Third parties may assert we are employing their proprietary technology without authorization. There may be third-party patents or patent applications with claims to materials, formulations, methods of manufacture or methods for treatment related to the use or manufacture of our product candidates. Because patent applications can take many years to issue, there may be patent applications currently pending that may later result in patents that our product candidates may infringe. Third parties may obtain patents in the future and claim that use of our technologies infringes these patents. If any third-party patents were to be held by a court of competent jurisdiction to cover the manufacturing process of any of our product candidates, any molecules formed during the manufacturing process or any final product itself, the holders of any such patents may be able to block our ability to commercialize such product candidate unless we obtained a license under the applicable patents, or until such patents expire. Similarly, if any third-party patents were to be held by a court of competent jurisdiction to cover aspects of our formulations, processes for manufacture or methods of use, including combination therapy, the holders of any such patents may be able to block our ability to develop and commercialize the applicable product candidate unless we obtained a license or until such patent expires. In either case, such a license may not be available on commercially reasonable terms or at all.

Parties making intellectual property claims against us may obtain injunctive or other equitable relief, which could block our ability to further develop and commercialize one or more of our product candidates. Defense of these claims, regardless of their merit, involve substantial litigation expense and would be a substantial diversion of employee resources from our business. If a claim of infringement against us succeeds, we may have to pay substantial damages, possibly including treble damages and attorneys' fees for willful infringement, pay royalties, redesign our infringing products or obtain one or more licenses from third parties, which may be impossible or require substantial time and monetary expenditure.

We may need to obtain licenses to intellectual property rights from third parties.

We may need to obtain licenses from third parties to advance our research or allow commercialization of our product candidates. We may fail to obtain these licenses at a reasonable cost or on reasonable terms, if at all. In that event, we would be unable to further develop and commercialize one or more of our product candidates, which could harm our business significantly. We cannot provide any assurances that third-party patents do not exist that might be enforced against our products, resulting in either an injunction prohibiting our sales, or, with respect to our sales and other activities, an obligation on our part to pay royalties and/or other forms of compensation to third parties.

We may be involved in lawsuits to protect or enforce our patents or the patents of our licensors, which could be expensive, time-consuming and unsuccessful.

Competitors may infringe our patents or the patents of our licensors. To counter such infringement or unauthorized use, we may be required to file infringement claims, or we may be required to defend the validity or enforceability of such patents, which can be expensive and time-consuming. In an infringement proceeding, a court may decide that a patent of ours or our licensors is not valid or is unenforceable, or may refuse to stop the other party from using the technology at issue because our patents do not cover that technology. An adverse result in any litigation or defense proceedings could put one or more of our patents at risk of being invalidated or interpreted narrowly and could put our patent applications at risk of not issuing.

Interference proceedings provoked by third parties or brought by us may be necessary to determine the priority of inventions regarding our patents or patent applications or those of our partners or licensors. An unfavorable outcome could require us to cease using the related technology or to license rights to it from the prevailing party. Our business could be harmed if the prevailing party does not offer us a license on commercially reasonable terms. Our defense of litigation or interference proceedings may fail and, even if successful, may cause substantial costs and distract our management and other employees. We may not be able to prevent, alone or with our licensors, misappropriation of our intellectual property rights, particularly in countries where the laws may not protect those rights as fully as in the United States.

Because of the substantial amount of discovery required in intellectual property litigation, there is a risk that some of our confidential information could be compromised by disclosure during this type of litigation. There could also be public announcements of the results of hearings, motions or other interim proceedings or developments. If securities analysts or investors perceive these results to be negative, it could have a material adverse effect on the price of our securities.

We may be subject to claims our employees, consultants or independent contractors have wrongfully used or disclosed confidential information of third parties.

We employ individuals previously employed at other biotechnology or pharmaceutical companies. We may be subject to claims we or our employees, consultants or independent contractors have inadvertently or otherwise used or disclosed confidential information of our employees' former employers or other third parties. We may also be subject to claims that former employers or other third parties have an ownership interest in our patents. Litigation may be necessary to defend against these claims. There is no guarantee of success in defending these claims, and if we succeed, litigation could cause substantial cost and be a distraction to our management and other employees.

Because we face significant competition from other biotechnology and pharmaceutical companies, our operating results will suffer if we fail to compete effectively.

The biotechnology and pharmaceutical industries are intensely competitive. We have competitors both in the United States and internationally, including major multinational pharmaceutical companies, biotechnology companies and universities and other research institutions. Our competitors may have substantially greater financial, technical and other resources, such as larger research and development staff and experienced marketing and manufacturing organizations. Additional mergers and acquisitions in the biotechnology and pharmaceutical industries may cause even more resources being concentrated in our competitors. Competition may increase further because of advances in the commercial applicability of technologies and greater availability of capital for investment in these industries. Our competitors may develop, acquire or license drug products that are more effective or less costly than any product candidate we may develop.

All of our programs are in a preclinical development stage and are targeted toward indications for which there are approved products on the market or product candidates in clinical development. We will face competition from other drugs that are or will be approved for the same therapeutic indications. Our ability to compete successfully will depend largely on our ability to leverage our experience in drug discovery and development to:

- discover and develop therapeutics superior to other products in the market;
- attract qualified scientific, product development and commercial personnel;
- obtain patent and/or other proprietary protection for our technology platform and product candidates;
- obtain required regulatory approvals; and
- successfully collaborate with pharmaceutical companies in the discovery, development and commercialization of new therapeutics.

The availability of our competitors' products could limit the demand, and the price we can charge, for any products we may develop and commercialize. We will not achieve our business plan if the acceptance of these products is inhibited by price competition or the reluctance of physicians to switch from existing drug products to our products, or if physicians switch to other new drug products or reserve our products for use in limited circumstances. The inability to compete with existing or subsequently introduced drug products would have a material adverse impact on our business, financial condition and prospects.

Established pharmaceutical companies may invest heavily to accelerate discovery and development of novel compounds or to in-license novel compounds that could make our product candidates less competitive. Any new product that competes with an approved product must typically demonstrate advantages, such as in efficacy, convenience, tolerability or safety, to overcome price competition and to succeed. Our competitors may obtain patent protection, receive approval by FDA and/or foreign regulatory authorities or discover, develop and commercialize product candidates before we do, which would have a material adverse impact on our business.

The commercial success of our product candidates will depend upon the acceptance of these product candidates by the medical community, including physicians, patients and healthcare payors.

Assuming one or more product candidates achieve regulatory approval and we commence marketing such products, the market acceptance of any product candidates will depend on several factors, including:

- demonstration of clinical safety and efficacy compared to other products;
- the relative convenience, ease of administration and acceptance by physicians, patients and healthcare payors;
- the prevalence and severity of any AEs;
- limitations or warnings in the label approved by FDA and/or foreign regulatory authorities for such products;
- availability of alternative treatments;
- pricing and cost-effectiveness;
- the effectiveness of our or any collaborators' sales and marketing strategies;
- our ability to obtain hospital formulary approval; and
- our ability to obtain and maintain sufficient third-party payor coverage or reimbursement.

If our current product candidates are approved, we expect sales to generate substantially all of our product revenues for the foreseeable future, and as such, the failure of these products to find market acceptance would harm our business.

If coverage and adequate reimbursement are not available for our product candidates, it could make it difficult for us to sell products profitably.

Market acceptance and sales of any product candidates we develop will depend on coverage and reimbursement policies and may be affected by future healthcare reform measures. Government authorities and third-party payors, such as private health insurers, hospitals and health maintenance organizations, decide which drugs they will pay for and establish reimbursement levels. We cannot be sure that coverage and adequate reimbursement will be available for any product candidates. Also, inadequate reimbursement amounts may reduce the demand for, or the price of, our future products. If reimbursement is not available, or is available only at limited levels, we may not be able to successfully commercialize product candidates we develop.

We cannot be certain if and when we will obtain formulary approval to allow us to sell any products we may develop and commercialize into our target markets. Obtaining formulary approval from hospitals and from payors can be an expensive and time-consuming process. Failure to obtain timely formulary approval will limit our commercial success.

There have been numerous legislative and regulatory proposals to change the healthcare system in the United States and in some foreign jurisdictions that could affect our ability to sell products profitably. These legislative and/or regulatory changes may negatively impact the reimbursement for drug products, following approval. The availability of generic treatments may also substantially reduce reimbursement for our future products. The potential application of user fees to generic drug products may expedite approval of additional generic drug treatments. We expect to experience pricing pressures in connection with sale of any of our products, due to the trend toward managed healthcare, the increasing influence of health maintenance organizations and additional legislative changes. If we fail to successfully secure and maintain reimbursement coverage for our future products or are significantly delayed in doing so, we will have difficulty achieving market acceptance of our products and our business will be harmed.

In some non-U.S. jurisdictions, the proposed pricing for a drug must be approved before it may be lawfully marketed. The requirements governing drug pricing vary widely from country to country. The European Union, or EU, provides options for its member states to restrict the range of medicinal products for which their national health insurance systems provide reimbursement and to control the prices of medicinal products for human use. A member state may approve a specific price for the medicinal product or it may instead adopt a system of direct or indirect controls on the profitability of Cocrystal placing the medicinal product on the market. There can be no assurance that any country that has price controls or reimbursement limitations for pharmaceutical products will allow favorable reimbursement and pricing arrangements for our products. Historically, products launched in the EU do not follow price structures of the U.S. and tend to be priced significantly lower.

If we are unable to establish sales and marketing capabilities or enter into agreements with third parties to market and sell our product candidates, we may be unable to generate any revenues.

We do not have an organization for the sales, marketing and distribution of pharmaceutical products and the cost of establishing and maintaining such an organization may exceed the cost-effectiveness of doing so. To market any products that may be approved, we must build our sales, marketing, managerial and other non-technical capabilities or arrange with third parties to perform these services.

Our current and future partners may not dedicate sufficient resources to the commercialization of our product candidates or may otherwise fail in their commercialization due to factors beyond our control. If we are unable to establish effective alliances to enable the sale of our product candidates to healthcare professionals and in geographical regions, including the United States, that will not be covered by our own marketing and sales force, or if our potential future strategic partners do not successfully commercialize the product candidates, our ability to generate revenues from product sales will be adversely affected.

If we are unable to establish adequate sales, marketing and distribution capabilities, whether independently or with third parties, we may not be able to generate sufficient product revenue and may not become profitable. We will be competing with many companies that have extensive and well-funded marketing and sales operations. Without an internal team or the support of a third party to perform marketing and sales functions, we may be unable to compete successfully against these more established companies.

If we obtain approval to commercialize any approved products outside of the United States, a variety of risks associated with international operations could materially adversely affect our business.

If any of our product candidates are approved for commercialization, we may enter into agreements with third parties to market them on a worldwide basis or in more limited geographical regions. We expect we will be subject to additional risks related to entering into international business relationships, including:

- different regulatory requirements for drug approvals in foreign countries;
- reduced protection for intellectual property rights;
- unexpected changes in tariffs, trade barriers and regulatory requirements;
- economic weakness, including inflation, or political instability in foreign economies and markets;
- compliance with tax, employment, immigration and labor laws for employees living or traveling abroad;
- foreign taxes, including withholding of payroll taxes;
- foreign currency fluctuations, which could cause increased operating expenses and reduced revenues, and other obligations incident to doing business in another country;
- workforce uncertainty in countries where labor unrest is endemic;
- production shortages resulting from any events affecting raw material supply or manufacturing capabilities abroad; and
- business interruptions resulting from geopolitical actions, including war and terrorism, or natural disasters including earthquakes, typhoons, floods and fires.

RISKS RELATED TO OUR BUSINESS OPERATIONS AND INDUSTRY

If we lose key management or scientific personnel, cannot recruit qualified employees, directors, officers, or other personnel or experience increases in our compensation costs, our business may materially suffer.

We depend on principal members of our executive and research teams, the loss of whose services may adversely impact the achievement of our objectives. We are highly dependent on our management team and our Chairman of the Board, Dr. Raymond Schinazi. We do not carry "key-man" life insurance on the lives of any of our employees or advisors. Furthermore, our future success will also depend in part on the continued service of our key scientific and management personnel and our ability to identify, hire, and retain additional personnel. We may not be able to attract and retain personnel on acceptable terms the competition among numerous pharmaceutical companies for individuals with similar skill sets. Because of this competition, our compensation costs may increase significantly. If we lose key employees, our business may suffer.

If we expand our organization, we may experience difficulties in managing growth, which could disrupt our operations.
We have 23 full-time employees. As our company matures, we expect to expand our employee base to increase our managerial, scientific and operational, commercial, financial and other resources and to hire more consultants and contractors. Future growth would impose significant additional responsibilities on our management, including the need to identify, recruit, maintain, motivate and integrate additional employees, consultants and contractors. Also, our management may need to divert a disproportionate amount of its attention away from our day-to-day activities and to managing these growth activities. We may not be able to effectively manage the expansion of our operations, which may cause weaknesses in our infrastructure, and give rise to operational mistakes, loss of business opportunities, loss of employees and reduced productivity among remaining employees. Our expected growth could require significant capital expenditures and may divert financial resources from other projects, such as developing additional product candidates. If our management cannot effectively manage our growth, our expenses may increase more than expected, our ability to generate and/or grow revenues could be reduced, and we may not be able to implement our business strategy. Our future financial performance and our ability to commercialize product candidates and compete will depend, in part, on our ability to manage any future growth.

Any relationships with customers and third party payors may be subject, directly or indirectly, to federal and state healthcare fraud and abuse laws, false claims laws and health information privacy and security laws. If we are unable to comply, or have not fully complied, with such laws, we could face criminal sanctions, civil penalties, contractual damages, reputational harm and diminished profits and future earnings.

If we obtain FDA approval for any of our product candidates and commercialize those products in the United States, our operations may be directly, or indirectly through our customers, subject to various federal and state fraud and abuse laws, including, without limitation, the federal Anti-Kickback Statute and the federal False Claims Act. These laws may impact, among other things, our proposed sales, marketing and education programs. We may be subject to patient privacy regulation by the federal government and by the U.S. states and foreign jurisdictions in which we conduct our business. The laws that may affect our ability to operate include:

- the federal Anti-Kickback Statute, which prohibits, among other things, persons from knowingly and willfully soliciting, receiving, offering or paying remuneration, directly or indirectly, to induce, or in return for, either the referral of an individual, or the purchase or recommendation of an item or service for which payment may be made under a federal healthcare program, such as the Medicare and Medicaid programs;

- federal civil and criminal false claims laws and civil monetary penalty laws, which prohibit, among other things, individuals or entities from knowingly presenting, or causing to be presented, claims for payment from Medicare, Medicaid, or other third party payers that are false or fraudulent;

- the federal Health Insurance Portability and Accountability Act of 1996, or HIPAA, which created new federal criminal statutes that prohibit executing a scheme to defraud any healthcare benefit program and making false statements relating to healthcare matters;

- HIPAA, as amended by the Health Information Technology and Clinical Health Act of 2009, or HITECH, and its implementing regulations, which imposes certain requirements relating to the privacy, security and transmission of individually identifiable health information; and

- state and foreign law equivalents of each of the above federal laws, such as anti-kickback and false claims laws which may apply to items or services reimbursed by any third party payer, including commercial insurers, and state and foreign laws governing the privacy and security of health information in certain circumstances, many of which differ from each other in significant ways and may not have the same effect, thus complicating compliance efforts.

If our operations are found to violate any of the laws described above or any other governmental regulations that apply to us, we may be subject to penalties, including, without limitation, civil and criminal penalties, damages, fines, possible exclusion from Medicare, Medicaid and other government healthcare programs, and curtailment or restructuring of our operations, which could adversely affect our ability to operate our business and our results of operations.

We face potential product liability, and, if successful claims are brought against us, we may incur substantial liability and costs.

Using our product candidates in clinical trials and the sale of any products for which we obtain marketing approval exposes us to the risk of product liability claims. Product liability claims might be brought against us by consumers, healthcare providers, pharmaceutical companies or others selling or otherwise coming into contact with our products. If we cannot successfully defend against product liability claims, we could incur substantial liability and costs. Regardless of merit or eventual outcome, product liability claims may cause:

- impairment of our business reputation;
- withdrawal of clinical trial participants;
- costs due to related litigation;
- distraction of management's attention from our primary business;
- substantial monetary awards to patients or other claimants;
- the inability to commercialize our product candidates; and
- decreased demand for our product candidates, if approved for commercial sale.

We do not have any product liability insurance coverage. We anticipate obtaining such insurance prior to the commencement of any clinical trials but any such insurance coverage we obtain may not reimburse us for all expenses or losses we may suffer. Insurance coverage is becoming increasingly expensive and we may not be able to maintain insurance coverage at a reasonable cost or in sufficient amounts to protect us against losses due to liability. If and when we obtain marketing approval for product candidates, we intend to expand our insurance coverage to include the sale of commercial products; however, we may be unable to obtain product liability insurance on commercially reasonable terms or in adequate amounts. Occasionally, large judgments have been awarded in class action lawsuits based on drugs that had unanticipated adverse effects. A successful product liability claim or series of claims brought against us could cause our stock price to decline and, if judgments exceed our insurance coverage, could adversely affect our results of operations and business.

Business interruptions could delay us in developing our future products.

We have locations in Washington and Georgia. We are vulnerable to natural disasters such as earthquakes and tornados as well as other events that could disrupt our operations. We do not carry insurance for natural disasters and we may not carry sufficient business interruption insurance to compensate us for losses that may occur. Any losses or damages we incur could have a material adverse effect on our business operations.

If our information technology systems are hacked, a third party may misappropriate our trade secrets which could harm our business and future results of operations.

We keep some of our intellectual property, including trade secrets and results of our preclinical research on a central server, and our employees email such information to each other and to third parties outside of our offices. In addition, since we do not encrypt all of this information, there is a risk that hackers could misappropriate our intellectual property. Any such misappropriation could harm our business and future results of operations.

RISKS RELATED TO OUR COMMON STOCK

Because we are subject to the "penny stock" rules, brokers cannot generally solicit the purchase of our common stock which adversely affects its liquidity and market price.

The Securities and Exchange Commission ("SEC") has adopted regulations which generally define "penny stock" to be an equity security that has a market price of less than $5.00 per share, subject to specific exemptions. The market price of our common stock on the Bulletin Board has been substantially less than $5.00 per share and therefore we are currently considered a "penny stock" according to SEC rules. This designation requires any broker-dealer selling these securities to disclose certain information concerning the transaction, obtain a written agreement from the purchaser and determine that the purchaser is reasonably suitable to purchase the securities.

Due to factors beyond our control, our stock price may be volatile.

Companies trading in the stock market in general, and particularly the over-the-counter markets, including the OTCQB, have experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of these companies. Our common stock price recently has experienced significant gains even though there has been no disclosure by us of any positive factors. Broad market and industry factors may negatively affect the market price of our common stock, regardless of our actual operating performance.

Our principal stockholders and management own a significant percentage of our stock and will be able to exert significant control over matters which require stockholder approval.

As of March 10, 2016, our executive officers, directors, 5% stockholders and their affiliates beneficially owned approximately 80% of our common stock. Therefore, these stockholders will have the ability to influence us through this ownership position. These stockholders may be able to determine all matters requiring stockholder approval. These stockholders, acting together, may be able to control elections of directors, amendments of our organizational documents, or approval of any merger, sale of assets, or other major corporate transaction. This may prevent or discourage unsolicited acquisition proposals or offers for our common stock you may believe are in your best interest as one of our stockholders.

Future sales and issuances of our common stock or rights to purchase common stock, including under our equity incentive plan, could cause additional dilution of the percentage ownership of our stockholders and could cause our stock price to fall.

We expect that significant additional capital will be needed to continue our planned operations. To the extent we raise additional capital by issuing equity securities, our stockholders may experience substantial dilution. We may sell common stock, convertible securities or other equity securities in one or more transactions at prices and in a manner we determine from time to time. If we sell common stock, convertible securities or other equity securities in more than one transaction, investors may be materially diluted by subsequent sales. These sales may also result in material dilution to our existing stockholders, and new investors could gain rights superior to our existing stockholders.

Under our Equity Incentive Plans, our management may grant stock options and other equity-based awards to our employees, directors and consultants. During 2015, our Board of Directors authorized an additional 50 million shares for grant to our employees, directors and consultants. These additional shares are offered under our 2015 Equity Incentive Plan. During 2015, 21,970,000 stock options were granted under this plan. The number of shares available for future grant under the Equity Incentive Plans is approximately 28 million shares.

If we are subject to securities class action litigation, we may sustain material costs.

In the past, securities class action litigation has often been brought against a company following a decline in the market price of its securities. This risk is especially relevant for us because pharmaceutical companies have experienced significant stock price volatility in recent years. If we face such litigation, it could cause substantial costs and a diversion of management's attention and resources, which could harm our business.

As a public company, we are subject to investigations by the SEC and other federal and state regulatory agencies.

The Company cannot predict or determine whether any proceeding may be instituted in connection with any subpoena or the outcome of any proceeding that may be instituted. Responding to such investigations may consume significant financial resources and limit us from other programs with those resources. In addition, any adverse investigation result could have a significant adverse effect on the Company share price and on the ability of the Company to raise necessary capital.

Our ability to use our net operating loss carry forwards and certain other tax attributes may be limited.

Under Section 382 of the Internal Revenue Code of 1986 if a corporation undergoes an "ownership change," generally defined as a greater than 50% change (by value) in its equity ownership over a three year period, the corporation's ability to use its pre-change net operating loss carry forwards ("NOLs"), and other pre-change tax attributes (such as research tax credits) to offset its post-change income may be limited. We believe that, with the RFS Pharma and Cocrystal Discovery mergers and other transactions that have occurred over the past three years, we may have triggered an "ownership change" limitation. We may also experience ownership changes in the future because of subsequent shifts in our stock ownership. If we earn net taxable income, our ability to use our pre-change net operating loss carry forwards to offset U.S. federal taxable income may be subject to limitations, which could result in increased future tax liability to us. At the state level, there may be periods during which the use of NOLs is suspended or otherwise limited, which could accelerate or permanently increase state taxes owed.

We do not intend to pay dividends on our common stock so any returns will be limited to the value of our stock.

We have never declared or paid any cash dividends on our common stock. We anticipate we will retain future earnings for the development, operation and expansion of our business and do not anticipate declaring or paying any cash dividends for the foreseeable future. Any return to stockholders will therefore be limited to the appreciation of their stock.

Because we may not attract the attention of major brokerage firms, it could have a material impact upon the price of our common stock.

It is not likely that securities analysts of major brokerage firms will provide research coverage for our common stock since the firm itself cannot recommend the purchase of our common stock under the penny stock rules referenced in the previous risk factor. The absence of such coverage limits the likelihood that an active market will develop for our common stock. It may also make it more difficult for us to attract new investors when we acquire additional capital.

Because many of our outstanding shares are freely tradable, sales of these shares could cause the market price of our common stock to drop significantly, even if our business is performing well.

As of March 10, 2016, we had approximately 704 million shares of common stock outstanding, approximately 103 million of which may be publicly sold under Rule 144. In general, Rule 144 provides that any non-affiliate of Cocrystal, who has held restricted common stock for at least six months, is entitled to sell their restricted stock freely, provided that we stay current in our SEC filings. After one year, a non-affiliate may sell without any restrictions.

An affiliate of the Company may sell after six months (subject to contractual restrictions as described above) with the following restrictions:

(i) we are current in our filings,

(ii) certain manner of sale provisions, and

(iii) filing of Form 144.

Future sales of our common stock could cause the market price of our common stock to drop significantly, even if our business is performing well.

We may issue preferred which could make it more difficult for a third party to acquire us and could depress our stock price.

In accordance with the provisions of our Certificate of Incorporation and the Stockholder Rights Agreement described above, our Board may issue one or more additional series of preferred stock that have more than one vote per share, so long as the Board obtains the majority approval of each of the groups of shareholders who formerly held our Series A and Series B. This could permit our Board to issue preferred stock to investors who support our management and give effective control of our business to our management. Issuance of preferred stock could block an acquisition resulting in both a drop in our stock price and a decline in interest of our common stock. This could make it more difficult for shareholders to sell their common stock. This could also cause the market price of our common stock shares to drop significantly, even if our business is performing well.

If we are not successful in completing preclinical or clinical testing or are unable to demonstrate safety and efficacy of our product candidates to the satisfaction of the regulatory authorities, we may suffer impairment on our IPR&D assets.

In-process research and development (IPR&D) represents a series of awarded patents, filed patent applications and an in-process research program acquired in the acquisition of RFS Pharma that are integral to the development of the Company's planned future products. In-process research and development represents an indefinite-lived intangible asset. Any series of preclinical and clinical outcomes that reduce the probability for technical and regulatory success, may trigger interim impairment testing. If our IPR&D becomes impaired, writedown on the carrying amount of these assets may result, which could depress our stock price. During 2015, we lowered our forecasts of future cash flows, which caused a reduction in our IPR&D, resulting in an impairment charge of $38.7 million.

We continue to have material weaknesses in internal control over financial reporting, which could negatively impact our ability to raise capital and could result in increased costs to ensure compliance with Sarbanes-Oxley Section 404.

During our assessment of the effectiveness of internal control over financial reporting as of December 31, 2015, we identified the following material weaknesses:

We did not maintain adequate segregation of duties in our accounting and financial reporting processes. We have not appropriately restricted access to our accounting applications to appropriate users and do not have processes in place that ensure that appropriate segregation of duties is maintained. The Company lacks sufficient qualified personnel to review conclusions reached for complex accounting transactions. Our internal control over this process would not allow for employees to detect a material misstatement in these areas in the normal course of performing their duties.

We do not have processes in place to ensure that all related party transactions, including those entered into with or on behalf of related parties, (1) have been identified, (2) are properly authorized prior to entering into the transaction, and (3) are properly monitored and evaluated for appropriate recording and presentation in the financial statements. We did not maintain an effective financial reporting process to prepare financial statements in accordance with U.S. GAAP. Specifically, our process lacked timely and complete financial statement reviews and procedures to ensure all required disclosures were made in our financial statements. We also lacked a process to review information used to prepare our financial statements and disclosures and did not have adequate segregation of duties over preparation of the financial statements.

Increased costs could be incurred to remediate these material weaknesses and could involve upgrading or replacing the Company's accounting software, adding additional staff and providing additional training.

Item 1B. Unresolved Staff Comments

Not Applicable

Item 2. Properties

We have operating facilities in Bothell, WA and Tucker, GA. In addition, we are responsible for a lease of laboratory space in Princeton, NJ.

In January 2014, Cocrystal Discovery renewed its lease for approximately 9,400 square feet of office and laboratory space in Bothell, Washington. The lease expires on February 1, 2019 and provides for annual rent of approximately $149,617.

As part of the merger (that occurred on November 25, 2014) with RFS Pharma, LLC, Cocrystal assumed the lease for RFS Pharma facilities located in Tucker, Georgia. This lease was amended on January 1, 2014 and expires on December 31, 2016 for approximately 5,626 (or 6,148) square feet of office and laboratory space. Cocrystal leases the Tucker, Georgia facility from a trust established, in part, for the benefit of one of Cocrystal's Directors, Dr. Raymond Schinazi. The annual expense for this lease is estimated to be $183,000 (if all the space as noted in the lease is used then this number is estimated to be $199,632).

In July 2011, we entered into a lease for approximately 3,869 square feet of laboratory space in Princeton, New Jersey to conduct research and development activities related to our legacy business. The lease expires on July 20, 2016. Rent expense is $8,231 per month. We sublet this space on a month-to-month basis at the same rental amount.

We believe that our facilities are sufficient to meet our current needs and that suitable additional space will be available if needed for future work.

Item 3. Legal Proceedings

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

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

The Company has been named as a party to a lawsuit filed on April 15, 2014 in Contra Costa County, California by an entity managed by Mr. Daniel Fisher. Also named in this action are two of the Company's subsidiaries – BioZone Laboratories and Cocrystal Discovery. The action seeks recovery on a promissory note purportedly executed by BioZone Laboratories in the principal amount of $295,000 in 2007, or almost seven years before the Company's acquisition of Cocrystal Discovery. Motions challenging the sufficiency of the allegations in the complaint were filed in the third quarter, 2014. The motions were granted and plaintiff was given an opportunity to amend the complaint, and plaintiff has filed an amended complaint. On July 2, 2015 the Company, along with its subsidiaries and other named defendants, filed a motion to bifurcate the action, and stay discovery on one of the causes of action. This motion was granted on August 27, 2015 and the Court limited the scope of discovery in the first phase of the case. The Court also ordered that the Company post a bond for the amount of $295,000, and the Company complied with the Order by posting the bond on September 29, 2015. This is recorded as a short-term deposit. The action should shortly be "at issue" with all parties joined, and the Company expects a trial date on the breach of contract claims, only, to be set at a Case Management Conference presently scheduled to occur on April 19, 2016. The Company further expects to again pursue summary adjudication of the contract claims against it (its prior motion having been denied without prejudice to re-filing), following the Case Management Conference. The Company intends to vigorously defend the action.

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

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

In December 2015, Cocrystal Pharma, Inc. issued notice of default letters to 580 Garcia Properties, Daniel Fisher and Sharon Fisher for failure to remit certain payments on a promissory note executed between the parties in June, 2014. Cocrystal Pharma, Inc. also exercised a failure to pay provision within that note to escalate the interest rate from 7.24% to 11.24%. As of March 9, 2016, the additional amounts due Cocrystal Pharma, Inc. total approximately $245,000. Due to the contingent nature of this default action, Cocrystal Pharma, Inc. has not recorded these amounts in our 2015 financial statements.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market Information

Our common stock has been quoted on the OTC Bulletin Board under the symbol "COCP" since January 2, 2014. Prior to that it was shown on the OTC Bulletin Board under the symbol "BZNE." The following table sets forth the high and low prices as reported on the OTC Bulletin Board for the prior two years. The quotations reflect inter-dealer prices, without retail mark-up, mark-down or commission, and may not represent actual transactions. As of March 1, 2016, there were approximately 232 holders of record of our common stock.

	High	Low
Year ended December 31, 2015		
January 1, 2015 through March 31, 2015	$ 1.53	$ 0.40
April 1, 2015 through June 30, 2015	$ 1.51	$ 0.95
July 1, 2015 through September 30, 2015	$ 1.16	$ 0.59
October 1, 2015 through December 31, 2015	$ 0.89	$ 0.52
Year ended December 31, 2014		
January 1, 2014 through March 31, 2014	$ 0.60	$ 0.33
April 1, 2014 through June 30, 2014	$ 0.44	$ 0.25
July 1, 2014 through September 30, 2014	$ 0.60	$ 0.27
October 1, 2014 through December 31, 2014	$ 0.74	$ 0.52

The last reported sales price of our Common stock on the OTC Bulletin Board on March 9, 2016 was $0.599 per share.

Dividend Policy

We have not declared nor paid any cash dividend on our common stock, and we currently intend to retain future earnings, if any, to finance the expansion of our business, and we do not expect to pay any cash dividends in the foreseeable future. The decision whether to pay cash dividends on our common stock will be made by our board of directors, in their discretion, and will depend on our financial condition, results of operations, capital requirements and other factors that our board of directors considers significant.

Securities Authorized for Issuance under Equity Compensation Plans

In connection with our merger with Cocrystal, we assumed the Cocrystal Discovery, Inc, 2007 Equity Incentive Plan, as amended (the "Plan"). See Item 11, "Executive Compensation" for information concerning the Plan.

Recent Sales of Unregistered Securities

In addition to those unregistered securities previously disclosed in reports filed with the Securities and Exchange Commission, we have issued common stock without registration under the Securities Act of 1933 (the "Securities Act") as described below.

Between February 11, 2015 and March 6, 2015, the Company issued a total of 5,281,312 shares of common stock to 23 accredited investors upon the cashless exercise of warrants acquired by such investors in prior securities offerings of the Company. The shares of common stock issued upon exercise of the warrants have not been registered under the Act and were issued and sold in reliance upon the exemption from registration contained in Section 3(a)(9) of the Act.

On March 3, 2015, the Company filed an amendment to its Certificate of Incorporation that increased the number of its authorized shares of common stock from 200,000,000 to 800,000,000. In accordance with the terms of the Certificate of Designation designating the Series A and the Certificate of Incorporation designating the Series B, the filing of the Certificate of Amendment caused the immediate conversion of the Series A and Series B into a total of 340,760,802 and 205,083,086 shares of common stock, respectively, for no additional consideration. The shares of common stock issued upon conversion have not been registered under the Act and were issued and sold in reliance upon the exemption from registration contained in Section 3(a)(9) of the Act.

On March 15, 2016, Cocrystal Pharma, Inc. (the "Company") accepted subscription agreements representing investor commitments totaling $5,004,370 in a private placement offering to investors who participated in the March 2015 private placement on a pro-rata basis to their participation in the March 2015 private placement (the "Offering") of 9,812,491 shares of the Company's common stock at a purchase price of $0.51 per share. The purchasers included 7 members of the Company's board of directors including Dr. Raymond F. Schinazi and Dr. Phil Frost. As of the date of this report, the Company has received all of the committed funds.

Certain existing holders of the Company's common stock are entitled to rights of first refusal to participate in the Offering under the terms of a Stockholder Rights Agreement entered into in connection with the Company's merger with RFS Pharma, LLC in November 2014. If any such holders notify the Company of their desire to participate in the offering on or prior to March 19, 2016, the Company will accept on a pro rata basis the subscriptions received from holders of such first refusal rights.

The Company intends to use the net proceeds of the Offering for working capital and general corporate purposes. The form of Securities Purchase Agreement is attached as Exhibit 10.1 to this Form 10-K and is incorporated herein by reference.

All of the securities were issued and sold in reliance upon the exemption from registration contained in Section 4(a)(2) of the Securities Act of 1933 (the "Act") and Rule 506 promulgated thereunder. These securities may not be offered or sold in the United States in the absence

of an effective registration statement or exemption from the registration requirements under the Act. The investors are accredited investors and there was no general solicitation.

Item 6. Selected Financial Data

Not required.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis should be read in conjunction with the Consolidated Financial Statements included elsewhere in this report.

Company Overview

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

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

The majority of factors based on the qualitative analysis of the considerations in ASC 805 indicate that Cocrystal is the accounting acquirer in the business combination with RFS Pharma. Therefore, the transaction is not a reverse merger as the legal acquirer is also the acquirer from an accounting point of view.

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. 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.

Critical Accounting Policies and Estimates

Our management's discussion and analysis of our financial condition and results of operations is based on our consolidated financial statements, which have been prepared in accordance with U.S. Generally Accepted Accounting Principles, or GAAP. The preparation of these consolidated financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities and expenses. On an ongoing basis, we evaluate these estimates and judgments, including those described below. We base our estimates on our historical experience and on various other assumptions that we believe to be reasonable under the circumstances. These estimates and assumptions form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results and experiences may differ materially from these estimates. While our significant accounting policies are more fully described in the accompanying notes to the consolidated financial statements included in this Annual Report on Form 10-K for the year ended December 31, 2015, we believe that the following accounting policies are the most critical to aid you in fully understanding and evaluating our reported financial results and affect the more significant judgments and estimates that we use in the preparation of our consolidated financial statements.

Stock-Based Compensation

We account for stock options related to our equity incentive plans under the provisions of Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 718 which requires the recognition of the fair value of stock-based compensation. The fair value of stock options was estimated using a Black-Scholes option valuation model. This model requires the input of subjective assumptions including expected stock price volatility, expected life and estimated forfeitures of each award. The fair value of equity-based awards is amortized ratably over the requisite service period of the award. Due to the limited amount of historical data available to us, particularly with respect to stock-price volatility, employee exercise patterns and forfeitures, actual results could differ from our assumptions.

Fair Value of Warrants

Warrants are recorded either as equity instruments or derivative liabilities. In the case of warrants recorded as liabilities, they are recorded at their estimated fair value at the date of issuance. Subsequent changes in estimated fair value are recorded in other income (expense) in the Company's statement of operations in each subsequent period. The warrants are measured at estimated fair value using the Black Scholes valuation model, which is based, in part, upon inputs for which there is little or no observable market data, requiring the Company to develop its own assumptions. Inherent in this model are assumptions related to expected stock price volatility, expected life, risk-free interest rate and dividend yield. We estimate the volatility of our common stock at the date of issuance, and at each subsequent reporting period, based on historical implied volatility based on a group of comparable companies, that matches the expected remaining life of the warrants. The risk-free interest rate is based on the U.S. Treasury zero-coupon yield curve on the measurement date for a maturity similar to the expected remaining life of the warrants. The expected life of the warrants is assumed to be equivalent to their remaining contractual term. The dividend rate is based on our historical rate, which we anticipate to remain at zero. The assumptions used in calculating the estimated fair value of the warrants represent our best estimates. However these estimates involve inherent uncertainties and the application of management judgment. As a result, if factors change and different assumptions are used, the warrant liability and the change in estimated fair value could be materially different.

Business Combinations and Intangible Assets

In connection with our acquisition of RFS Pharma in November 2014, we acquired a substantial amount of intellectual property. We have accounted for the intellectual property acquired as an in-process research and development (IPR&D) asset and have determined that asset to have an indefinite life based on the stage of development of the research projects of RFS Pharma at the date of acquisition. This intangible asset, which we recorded at its estimated fair value of $185.0 million as of the acquisition date, will continue to have an indefinite life until the associated research and development activities are complete, at which point a determination of the asset's useful life will be made. Prior to completion of these research and development activities, the intangible asset will be subject to annual impairment tests, or more frequent tests in the event of any impairment indicators occurring. These impairment tests require significant judgment regarding the status of the research activities, the potential for future revenues to be derived from any products that may result from those activities, and other factors.

The Company conducted its annual impairment tests related to the in-process research and development asset as of November 30, 2015. The initial valuation recorded in November 2014 at the time of the RFS Pharma acquisition represented the fair value of the acquired hepatitis C program acquired from RFS Pharma. We performed our impairment test and estimated fair value of each unit of account based on the income approach (also known as the discounted cash flow ("DCF") method, which utilizes the present value of future cash flows to estimate fair value.) The future cash flows for our hepatitis C assets were projected based upon our estimates of future revenues, operating income and other factors (such as working capital and capital expenditures). We took into account market conditions for hepatitis C therapies, anticipated new competitive therapies and anticipated market price declines as we modeled future cash flows.

Late in 2015, the Company received reports from ongoing pre-clinical studies that indicated higher than acceptable toxicity related to its hepatitis C lead molecule, CC-1845. Work is ongoing to further isolate the source(s) of the higher than acceptable toxicity by separating the two diasteromers that form CC-1845. We have determined one of these diasteromers has higher than desired toxicity. Work on the second diasteromer is still in process. These events result in longer than anticipated development times for our lead molecule, a lower probability of technical and regulatory success and longer development times for back-up molecules within hepatitus C. As a result, we have lowered our forecasts of future cash flows, which caused a reduction in value of our hepatitis C assets and which led to the impairment charged recorded in 2015 of $38.7 million related to our IPR&D asset. As we continue work on this program, we may be required to record additional impairment charges depending on the outcome of our research activities.

We also recorded $65.2 million of goodwill in the RFS Pharma acquisition that is subject to impairment testing. This goodwill primarily represents the amount recorded as a deferred tax liability in the RFS Pharma acquisition, which was required as the goodwill recorded for book purposes is not tax deductible based on the structure of the acquisition. Future impairment tests of goodwill will also require substantial judgment and estimates. We completed our annual goodwill impairment tests as of November 30, 2015 and determined that there was no impairment.

Income Taxes

Given the uncertainty regarding future realization of our deferred tax assets, which primarily result from our net operating losses and research and development credit carryforwards, we have placed a full valuation allowance on our deferred tax assets. However, as noted above, we initially recorded a deferred tax liability of $65.2 million related to the RFS Pharma acquisition. Due to the impairment loss we recognized on our in-process research and development in 2015, we reduced the deferred tax liability for the tax effect on that impairment loss, or about $15.3 million. As of December 31, 2015, our deferred tax liability is approximately $49.9 million. We have not considered this deferred tax liability as a source of future income in our determination of the need for a valuation allowance against our deferred tax assets due to the fact that this deferred tax liability relates to our indefinite-lived IPR&D asset, and the timing of reversal of this deferred tax liability cannot currently be determined due to uncertainty regarding the ultimate outcome of our research activities associated with the intellectual property acquired in the RFS Pharma transaction. To the extent our estimates regarding the outcome of those activities changes in future periods, our determination regarding the valuation allowance may also change.

Results of Operations for the Years Ended December 31, 2015 and December 31, 2014

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 years ended December 31, 2015 or 2014, except for $77,000 in grant revenues in 2015 and $9,000 in 2014. For the year ended December 31, 2015, we had a net loss of $50,122,000 compared to a net loss of $99,000 for 2014. We reported a net loss of $50,122,000 for the year ended December 31, 2015 due primarily to reporting a full year of operations reflecting the merger of RFS Pharma, which occurred in November 2014 and an impairment loss of $38,665,000 on our IPR&D. Our operating loss for the year ended December 31, 2015 was $53,948,000, compared to an operating loss of $5,799,000 in 2014. Other expense was $11,422,000 which reflects a $9,916,000 loss on the fair value of derivative liabilities and a loss on escrowed shares of $1,686,000. The loss on derivative liabilities is due to the substantial increase in the fair value of our outstanding warrants. Under accounting principles generally accepted in the United States, we record other income or expense for the change in fair value of our outstanding warrants that are accounted for as liabilities during each reporting period. If the value of the warrants increases during a period, which occurred during the year ended December 31, 2015, we 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. This other income or expense is non cash. We believe investors should focus on our operating loss rather than net income or loss for the periods presented.

Research and Development Expense

Research and development expense consists primarily of compensation-related costs for our 18 employees dedicated to research and development activities and for our Scientific Advisory Board members, as well as lab supplies, lab services, and facilities and equipment costs. We expect research and development expenses to increase in future periods as we expand our pre-clinical development activities.

Total research and development expenses were $47,261,000 for the year ended December 31, 2015, compared with $4,071,000 for the year ended December 31, 2014. This increase of $43,190,000 is primarily the result of recognizing an impairment loss on IPR&D of $38,665,000 as well as reporting a full year of operations reflecting the merger of RFS Pharma, which occurred in November 2014. Laboratory Services increased $2,814,000, personnel costs increased $1,142,000 and professional fees increased $569,000. We expect research and development expenses to increase in 2016 reflecting manufacturing scale up and our initiation of Phase I programs.

General and Administrative Expense

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

General and administrative expenses were $6,765,000 for the year ended December 31, 2015, compared with $1,737,000 for the year ended December 31, 2014. This increase of $5,028,000 is primarily the result of reporting a full year of operations reflecting the merger of RFS Pharma, which occurred in November 2014. In addition, there were significant new expenses in 2015 for equity stock option grants to new executives of $2,934,000 and $518,000 in additional legal expenses related to the several legal proceedings Cocrystal Pharma, Inc. is a party to.

Future general and administrative expenses are expected to continue at the current levels.

Interest Income/Expense

Interest income was $180,000 for the year ended December 31, 2015, compared to $96,000 for the year ended December 31, 2014. These amounts primarily represent interest earned on the mortgage note we acquired in June 2014. The key objectives of our investment policy are to preserve principal and ensure sufficient liquidity, so our invested cash may not earn as high a level of income as longer-term or higher risk securities, which generally have less liquidity and more volatility.

Other Income/Expense

Other expense, net, was $11,422,000 for the year ended December 31, 2015 compared with Other Income, net of $5,648,000 for the year ended December 31, 2014.

Other expense, net of $11,422,000 for the year ended December 31, 2015 reflects an increase in fair value of our derivative liabilities as our stock price increased, $9,916,000, and the loss on MusclePharm escrow shares of $1,686,000. These shares were to be held in escrow but released by the escrow agent to Musclepharm. Cocrystal Pharma believes this release was in error and is vigorously seeking to recoup these losses.

Other Income in 2014 of $5,648,000 reflects a $1,359,000 realized gain on marketable securities, and other income of $5,730,000 related to the decrease in fair value of our derivative liabilities as our stock price decreased, offset by other 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.

Income Taxes

For the year ended December 31, 2015, we recorded an income tax benefit of $15,248,000 resulting primarily from reduction of our deferred tax liability stemming from the impairment loss recorded for the Company's in-process research and development. At our effective tax rate of approximately 34%, the impact on our deferred tax liability for the $38.7 million impairment loss is approximately $12 million. The remaining tax benefit of approximately $3.2 million resulted from favorable changes in our state income tax apportionment rates.

Liquidity and Capital Resources

We had cash and cash equivalents of approximately $9.3 million as of December 31, 2015.

For the year ended December 31, 2015, net cash used in operating activities was $10,317,000, compared to net cash used in operating activities of $6,009,000 for 2014. The increase in cash used in operating activities from 2014 to 2015 was attributable to our increase in research and development activities, including an increase in personnel, and increased general and administrative expenses associated with being a public company and with the two mergers we entered into during 2014. In 2015, net cash used in investing activities of $262,000 consisted of capital expenditures primarily for improvements to our corporate offices in Tucker, Georgia. For the year ended December 31, 2015, net cash provided by financing activities was $15,885,000, compared to cash provided by financing activities of $2,866,000 for 2014. In 2015, net cash generated by financing activities was primarily due to the proceeds from issuance of common stock.

We have a history of operating losses as we have focused our efforts on raising capital and research and development activities. The Company's consolidated financial statements are prepared using generally accepted accounting principles in the United States of America applicable to a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The Company has incurred net losses and negative operating cash flows since inception. For the year ended December 31, 2015, the Company recorded a net loss of approximately $50.1 million and used approximately $10.3 million of cash in operating activities. As of December 31, 2015, the Company had approximately $9.3 million in cash and cash equivalents and working capital, excluding our derivative liabilities, of approximately $7.3 million. The Company has not yet established an ongoing source of revenue sufficient to cover its operating costs and allow it to continue as a going concern. The ability of the Company to continue as a going concern is dependent on the Company obtaining adequate capital to fund operating losses until it becomes profitable. The Company can give no assurances that any additional capital that it is able to obtain, if any, will be sufficient to meet its needs, or that any such financing will be obtainable on acceptable terms. If the Company is unable to obtain adequate capital, it could be forced to cease operations or substantially curtail is commercial activities. These conditions raise substantial doubt as to the Company's ability to continue as a going concern. The accompanying financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities should the Company be unable to continue as a going concern.

In March, 2016 we received commitments from investors to invest $5,004,370 in the Company. As of March 14, all of these funds have been received**.** As we continue to incur losses, achieving profitability is dependent upon the successful development, approval and commercialization of our 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 our cost structure. We may never achieve profitability, and unless and until we do, we will continue to need to raise additional capital. Over the next 12 months ending December 31, 2016, we estimate negative cash flow of approximately $17.0 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.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements.

Cautionary Note Regarding Forward Looking Statements

This report includes forward-looking statements including statements regarding our future business development, regulatory compliance, generation of revenues, our liquidity, expectations from proposed capital raises, and the issues relating to the potential claims relating to our former Pittsburg, California lease and the related bank loan guarantee.

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, uncertainties and risks that may cause actual results to differ materially from these forward-looking statements are contained in the Risk Factors that follow. We undertake no obligation to publicly update or revise any forward-looking statements, whether as the result of new information, future events or otherwise. For more information regarding some of the ongoing risks and uncertainties of our business, see the Risk Factors and our other filings with the SEC

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Our primary exposure to market risk is interest rate sensitivity, which is affected by changes in the general level of U.S. interest rates. However, as our investments are in highly liquid money market funds, we do not believe we are subject to any material market risk exposure. As of December 31, 2015, we did not have any material derivative financial instruments held as assets. The fair value of our cash and cash equivalents was $9.3 million as of December 31, 2015.

We do not currently have any hard to value investment securities or securities for which a market is not readily available or active.

We are not subject to significant credit risk as this risk does not have the potential to materially impact the value of our assets and liabilities.

Item 8. Financial Statements and Supplementary Data

The consolidated financial statements and supplementary data of Cocrystal Pharma, Inc. required by this Item are described in Item 15 of this Annual Report on Form 10-K and are presented beginning on page F-1.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosures

Not applicable.

Item 9A. Controls and Procedures

As required by Rule 13a-15 under the Securities Exchange Act of 1934, as of December 31, 2015, the fiscal year end covered by this report, our management concluded its evaluation of the effectiveness of the design and operation of our disclosure controls and procedures.

Disclosure controls and procedures refer to controls and other procedures designed to ensure that information required to be disclosed in the reports we file or submit under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC and that such information is accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating our disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management is required to apply its judgment in evaluating and implementing possible controls and procedures.

Our management does not expect that our disclosure controls and procedures will prevent all error and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. The design of any system of controls is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions.

With respect to the fiscal year ended December 31, 2015, under the supervision and with the participation of our management, we conducted an evaluation of the effectiveness of the design and operations of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) promulgated under the Securities Exchange Act of 1934. Based upon our evaluation regarding the fiscal year ending December 31, 2015, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were not effective due to inadequate accounting systems and insufficient personnel to properly prepare, implement and monitor adequate controls and procedures.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act. Our management is also required to assess and report on the effectiveness of our internal control over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act of 2002 ("Section 404"). Management assessed the effectiveness of our internal control over financial reporting as of December 31, 2015. In making this assessment, we used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control - Integrated Framework (2013)*. During our assessment of the effectiveness of internal control over financial reporting as of December 31, 2015, we identified the following material weaknesses:

COSO Components – Control Environment

We did not maintain an effective control environment, which is the foundation and structure necessary for effective internal control over financial reporting, as evidenced by: (i) lack of segregation of duties over individuals responsible for certain key control activities; (ii) an insufficient number of personnel appropriately qualified to perform control monitoring activities, including the recognition of the risks and complexities of transactions; and (iii) an insufficient number of personnel with the appropriate level of GAAP knowledge and experience commensurate with our financial reporting requirements. This control environment material weakness contributed to the company not having effective controls to ensure that potential errors or misstatements may occur, but may not be detected.

Risk Assessment, Monitoring Activities and Control Activities - Segregation of Duties

We did not maintain adequate segregation of duties in our accounting and financial reporting processes. We have not appropriately restricted access to our accounting applications to appropriate users and do not have processes in place that ensure that appropriate segregation of duties is maintained. Certain personnel have access to financial applications, programs and data beyond that needed to perform their individual job responsibilities and without independent monitoring. This allows for the creation, review and processing of certain financial data without independent review and authorization. There are also certain financial personnel that have incompatible duties, including in the areas of cash disbursements, payroll, and journal entry reviews. We have not yet completed the process of assigning different people the responsibilities of authorizing transactions, recording transactions, and maintaining custody of assets to reduce the opportunities to allow any person to be in a position to both perpetrate and conceal errors or fraud in the normal course of the person's duties. Particularly in the areas of purchases, cash disbursements, and payroll, certain individuals have incompatible duties that limit our ability to identify and detect errors or fraud that may occur.

Risk Assessment, Monitoring Activities and Control Activities - Supervision and Review of Complex Accounting Areas

The Company lacks sufficient qualified personnel to review conclusions reached regarding the accounting for complex transactions and related analyses to record amounts resulting from such transactions in our financial records. For calculations related to stock-based compensation and the fair value of our derivative liabilities in particular, there is a lack of review of assumptions used and the underlying calculations made by the preparer of this information that are then used to record amounts in our financial statements. There is also a lack of review of assumptions used and documentation of the sources of information used in our evaluation of the fair value of our in-process research and development intangible asset. Our internal control over these processes would not allow for employees to detect a material misstatement in these areas in the normal course of performing their duties.

Risk Assessment, Information and Communication - Authorization, Identification and Reporting of Related Party Transactions

We do not have processes in place to ensure that all related party transactions, including those entered into with or on behalf of related parties, (1) have been identified, (2) are properly authorized prior to entering into the transaction, and (3) are properly monitored and evaluated for appropriate recording and presentation in the financial statements.

Monitoring Activities and Control Activities - Financial Reporting Process

We did not maintain an effective financial reporting process to prepare financial statements in accordance with U.S. GAAP. Specifically, our process lacked timely and complete financial statement reviews and procedures to ensure all required disclosures were made in our financial statements. We also lacked a process to review information used to prepare our financial statements and disclosures and did not have adequate segregation of duties over preparation of the financial statements.

The material weaknesses identified by management could result in a material misstatement to our annual or interim financial statements that would not be prevented or detected. Management has concluded that our internal control over financial reporting was not effective as of December 31, 2015 due to the material weaknesses identified. We reviewed the results of management's assessment with the Audit Committee of the Company's Board of Directors.

BDO USA, LLP, our independent registered public accounting firm, has issued an attestation report regarding its assessment of our internal control over financial reporting as of December 31, 2015, as set forth at the beginning of Part II, Item 8 of this Annual Report on Form 10-K.

A material weakness (within the meaning of PCAOB Auditing Standard No. 5) 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 our annual or interim financial statements will not be prevented or detected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness; yet important enough to merit attention by those responsible for oversight of Cocrystal's financial reporting.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

Changes in Internal Control over Financial Reporting

Except for the changes described below, there were no changes in internal control over financial reporting that occurred during the year ended December 31, 2015, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

On November 16, 2015, Curtis Dale became our Interim Chief Financial Officer (CFO). Mr. Dale has extensive experience in accounting and finance, and provides additional pharmaceutical industry knowledge. Mr. Dale was promoted to the Interim Chief Financial Officer position from his position as Controller with the Company. That Controller position was added in August, 2015 to provide additional resources focused on improving internal controls over financial reporting.

The Controller position remained vacant from November 16, 2015 through January 11, 2016, when a contract Controller was engaged. The Company's accountant was also replaced with a contract accountant in early November 2015. These changes in finance personnel resulted from shifting those responsibilities from the Company's Bothell, Washington location to its Tucker, Georgia location.

The new Finance personnel began the process of implementing certain control procedures to strengthen our control environment. We also began more thoroughly documenting our control activities in place and performed some testing of our internal control activities. However, these efforts have been preliminary and we have identified several material weaknesses, as noted above, during the course of performing these procedures.

Remedial Actions to Address Material Weaknesses

The Company recognized that it did not maintain an effective control environment during 2015 which contributed to the company not having effective controls to ensure that potential errors or misstatements may occur, but may not be detected. The Company intends to focus more resources on internal control procedures during 2016. The Company engaged a third party consultant to help document, propose and develop a set of entity level and activity level controls that once implemented would help the Company becomes Sarbanes-Oxley Section 404 compliant. An initial set of risk control matrices have been developed and are undergoing evaluation to identify the key versus non-key activities and related controls.

Segregation of Duties-The Company has developed a Segregation of Duties Matrix and is in the process of updating business processes, documentation and job roles to fully implement this matrix. We have not yet completed the process of assigning different people the responsibilities of authorizing transactions, recording transactions, and maintaining custody of assets to reduce the opportunities to allow any person to be in a position to both perpetrate and conceal errors or fraud in the normal course of the person's duties. Our financial software does not provide robust administrative tools to effectively segregate roles, especially with limited financial staff. The Company will be evaluating a replacement financial system in 2016 but will also focus on effective compensating controls until the financial software can be upgraded or replaced.

Supervision and Review of Complex Accounting Areas-During 2015, the Chief Financial Officer was responsible for calculations related to stock-based compensation and the fair value of derivative liabilities. As conducted in 2015, this process did not provide the appropriate level of review of assumptions and underlying calculations to detect material misstatements. Going forward, the Controller will prepare the complex calculations and the Chief Financial Officer will review those prior to adjusting any valuations in the financial statements.

Authorization, Identification and Reporting of Related Party Transactions- During 2015, the Company added a General Counsel position to the organization. The Company is in the process of developing contracting procedures that will require both the General Counsel and Chief Financial Officer to review and approve all new contracts and agreements, prior to approval by the Chief Executive Office. The Company is also in the process of tightening procurement processes to ensure competitive bids are requested and the vendors participating in these bids are more thoroughly researched prior to any Company commitments.

More formal financial statement review processes will be established and will include the CEO and General Counsel, in addition to the CFO. A disclosure checklist is being developed to help ensure the adequacy and timeliness of all financial statement disclosures.

Item 9B. Other Information

Not applicable.

COCRYSTAL PHARMA, INC.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders
Cocrystal Pharma, Inc.
Tucker, Georgia

We have audited the accompanying consolidated balance sheets of Cocrystal Pharma, Inc. (the "Company") as of December 31, 2015 and 2014 and the related consolidated statements of operations and comprehensive income (loss), convertible preferred stock and stockholders' equity (deficit), and cash flows for each of the two years in the period ended December 31, 2015. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Cocrystal Pharma, Inc. at December 31, 2015 and 2014, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Cocrystal Pharma, Inc.'s internal control over financial reporting as of December 31, 2015, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and our report dated March 15, 2016, expressed an adverse opinion thereon.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As described in Note 1 to the consolidated financial statements, the Company has suffered recurring losses from operations and has an accumulated deficit that raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 1. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

/s/ BDO USA, LLP

Seattle, Washington
March 15, 2016

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders
Cocrystal Pharma, Inc.
Tucker, Georgia

We have audited Cocrystal Pharma, Inc.'s internal control over financial reporting as of December 31, 2015, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Cocrystal Pharma, Inc.'s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying "Item 9A, Management's Report on Internal Control Over Financial Reporting". Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

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. Material weaknesses regarding management's failure to maintain an effective control environment; design and maintain controls over appropriate segregation of duties; design and maintain controls over the supervision and review of complex accounting areas; design and maintain controls over the supervision and review of the financial reporting process; and design and maintain controls over the authorization, identification, and disclosure of related party transactions have been identified and described in management's assessment. These material weaknesses were considered in determining the nature, timing, and extent of audit tests applied in our audit of the 2015 financial statements, and this report does not affect our report dated March 15, 2016, on those financial statements.

In our opinion, Cocrystal Pharma, Inc. did not maintain, in all material respects, effective internal control over financial reporting as of December 31, 2015, based on the COSO criteria.

We do not express an opinion or any other form of assurance on management's statements referring to any corrective actions taken by the company after the date of management's assessment.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Cocrystal Pharma, Inc. as of December 31, 2015 and 2014, and the related consolidated statements of operations and comprehensive income (loss), convertible preferred stock and stockholders' equity (deficit), and cash flows for each of the two years in the period ended December 31, 2015, and our report dated March 15, 2016 expressed an unqualified opinion thereon.

/s/ BDO USA, LLP

Seattle, Washington
March 15, 2016

COCRYSTAL PHARMA, INC.

CONSOLIDATED BALANCE SHEETS
(in thousands)

	December 31, 2015	December 31, 2014
Assets		
Current assets:		
Cash and cash equivalents	$ 9,276	$ 3,970
Accounts receivable	32	122
Marketable securities	-	1,975
Prepaid and other current assets	441	144
Mortgage note receivable, current portion	170	165
Total current assets	9,919	6,376
Property and equipment, net	430	284
Deposits	31	31
Mortgage note receivable, long-term portion	2,354	2,431
In process research and development	146,301	184,966
Goodwill	65,195	65,195
Total assets	$ 224,230	$ 259,283
Liabilities and stockholders' equity (deficit)		
Current liabilities:		
Accounts payable and accrued expenses	$ 2,585	$ 693
Derivative liabilities	4,115	8,464
Total current liabilities	6,700	9,157
Long-term liabilities		
Deferred rent	61	62
Deferred tax liability	49,875	65,195
Total long-term liabilities	49,936	65,257
Total liabilities	$ 56,636	$ 74,414
Commitments and contingencies		
Series A convertible preferred stock, $0.001 par value; 1,000 shares authorized, issued and outstanding at December 31, 2014, issued in the merger with RFS Pharma, LLC	$ -	$ 178,218
Stockholders' equity:		
Series B convertible preferred stock, $.001 par value; 5,000 shares authorized; 10 and 1,000 shares issued and outstanding at December 31, 2015 and December 31, 2014, respectively	-	1
Common stock, $.001 par value; 800,000 and 200,000 shares authorized, 694,396 and 122,494 shares issued and outstanding as of December 31, 2015 and December 31, 2014, respectively	694	123
Additional paid-in capital	229,456	18,725
Accumulated other comprehensive income, net of tax	-	236
Accumulated deficit	(62,556)	(12,434)
Total stockholders' equity	167,594	6,651
Total liabilities and stockholders' equity	$ 224,230	$ 259,283

See accompanying notes to consolidated financial statements.

COCRYSTAL PHARMA, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)
(in thousands)

	2015	2014
Grant revenues	$ 78	$ 9
Operating expenses		
Research and development	47,261	4,071
General and administrative	6,765	1,737
Total operating expenses	54,026	5,808
Loss from operations	(53,948)	(5,799)
Interest income	180	96
Realized gain on sale of marketable securities	-	1,359
Other expense	-	(7)
Fair value of warrant liabilities in excess of proceeds from financing	-	(946)
Loss on return of escrowed shares	(1,686)	(584)
Change in fair value of derivative liabilities	(9,916)	5,730
Total other income (expense), net	(11,422)	5,648
Loss before income taxes	(65,370)	(151)
Income tax benefit	15,248	52
Net loss	$ (50,122)	$ (99)
Comprehensive income (loss):		
Net loss	$ (50,122)	$ (99)
Unrealized gain on marketable securities, net of tax	-	236
Total comprehensive income (loss)	$ (50,122)	$ 137
Net loss per common share:		
Net loss per share, basic	$ (0.08)	$ (0.00)
Net loss per share, diluted	$ (0.08)	$ (0.01)
Weighted average common shares outstanding, basic	630,316	326,779
Weighted average common shares outstanding, diluted	630,316	327,753

See accompanying notes to consolidated financial statements.

COCRYSTAL PHARMA, INC.

CONSOLIDATED STATEMENTS OF CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' EQUITY (DEFICIT)
(in thousands)

	Series A Convertible Preferred Stock		Series B Convertible Preferred Stock		Common Stock		Additional Paid-in capital	Accumulated other comprehensive income (loss)	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount	Shares	Amount	Shares	Amount				
Balance as of December 31, 2013	7,046	$ 10,308	279	$ -	-	$ -	$ 3,502		$ (12,335)	$ (8,833)
Conversion of series A convertible stock	(7,046)	(10,308)	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					1,087	1	115			116
Stock-based compensation							38			38
Issuance of common stock and warrants in January 2014					5,500	6	(6)			-
Unrealized gain on marketable securities, net of tax								$ 236		236
Series A preferred stock issued in the merger with RFS Pharma, LLC	1,000	178,218								-
Stock options issued in the merger with RFS Pharm, LLC							6,565			6,565
Net loss									(99)	(99)
Balance as of December 31, 2014	1,000	$ 178,218	1,000	$ 1	122,494	$ 123	$ 18,725	$ 236	$ (12,434)	$ 6,651
Exercise of common stock options					182		23			23
Conversion of Series A and Series B convertible shares to common stock	(1,000)	(178,218)	(1,000)	(1)	545,844	546	177,673			178,218
Stock-based compensation							2,934			2,934
Sale of common shares					17,239	17	15,845			15,862
Unrealized loss on marketable securities, net of tax								(236)		(236)
Exercise of warrants					8,637	8	14,256			14,264

Net loss									(50,122)	(50,122)
Balance as of December 31, 2015	-	$ -	-	$ -	694,396	$ 694	$ 229,456	$ -	$ (62,556)	$ 167,594

See accompanying notes to consolidated financial statements.

COCRYSTAL PHARMA, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	2015	2014
Operating activities:		
Net loss	$ (50,122)	$ (99)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	192	199
Stock-based compensation	2,934	38
Fair value of warrant liabilities in excess of proceeds from financing	-	
Change in fair value of derivative liabilities	9,916	(5,730)
Deferred income tax	(15,267)	(52)
Loss on return of escrowed shares	1,686	584
Realized gain on sale of marketable securities	-	(1,359)
Impairment on IPR&D	38,665	-
Loss on sale of equipment	-	6
Changes in operating assets and liabilities:		
Prepaid expenses and other current assets	(212)	9
Accounts payable and accrued expenses	1,891	(551)
Net cash used in operating activities	(10,317)	(6,009)
Investing activities		
Cash acquired in acquisition of Biozone Pharmaceuticals, Inc.	-	589
Cash acquired in acquisition of RFS Pharma, Inc.	-	194
Purchase of property and equipment	(339)	(5)
Long term deposits	-	(3)
Proceeds from sale of marketable securities	-	7,900
Investment in mortgage note receivable	-	(2,626)
Principal payments received on mortgage note receivable	77	30
Net cash provided by (used in) investing activities	(262)	6,079
Financing activities		
Proceeds from exercise of stock options	23	116
Proceeds from issuance of common stock and warrants	15,862	2,750
Net cash provided by financing activities	15,885	2,866
Net increase in cash and cash equivalents	5,306	2,936
Cash and cash equivalents at beginning of period	3,970	1,034
Cash and cash equivalents at end of period	$ 9,276	$ 3,970
SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Cashless exercise of warrants	$ 14,265	$ 0
Unrealized gain on marketable securities net of tax	-	236
Fair value of assets acquired and liabilities assumed in reverse merger with Biozone Pharmaceuticals, Inc.		
Prepaid expenses and other current assets	-	5
Marketable securities	-	8,811
Accounts payable and accrued expenses	-	(410)
Derivative liabilities	-	(10,475)
Fair value of Series A preferred stock issued in acquisition of RFS Pharma, LLC	-	178,218
Fair value of stock options issued in acquisition of RFS Pharma, LLC	-	6,566
Fair value of assets acquired and liabilities assumed in acquisition of RFS Pharma, LLC		
In-process research and development	-	184,966
Goodwill	-	65,195
Deferred tax liabilities	-	(65,195)
Prepaid expenses and other current assets	-	132
Accounts payable and accrued expenses	-	(532)
Property and equipment	-	14
Other long term assets	-	10

See accompanying notes to consolidated financial statements.

COCRYSTAL PHARMA, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Organization and Basis of Presentation

Cocrystal Pharma, Inc. (the "Company") is a biopharmaceutical company focused on developing antiviral therapeutics for human diseases.

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 is to develop novel medicines for use in the treatment of human viral diseases. Cocrystal has been developing novel technologies and approaches to create antiviral drug candidates since its initial funding in 2008. 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 "Biozone Merger Agreement"). Pursuant to the Biozone 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 Biozone 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 has been 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.

Effective November 25, 2014, Cocrystal, Cocrystal Holdings, Inc., a Delaware corporation and wholly-owned subsidiary of Cocrystal, Cocrystal Merger Sub, Inc., a Delaware corporation and wholly-owned subsidiary of the Company (the "Cocrystal Merger Sub"), RFS Merger Sub, LLC, a Delaware limited liability company and wholly-owned subsidiary of the Company (the "RFS Merger Sub") and RFS Pharma, LLC, a Georgia limited liability company ("RFS Pharma"), entered into and closed an Agreement and Plan of Merger (the "RFS Merger Agreement").

The consideration paid by the Company was approximately $184.8 million, consisting of the issuance of 1,000,000 shares of Series A Preferred stock ("Series A") with an estimated fair value of approximately $178.2 million and the issuance of 16,542,538 options to purchase the Company's common stock as replacements of awards previously issued to employees of RFS Pharma with an estimated fair value of approximately $6.6 million. The Series A shares automatically converted into 340,760,802 shares of the Company's common stock upon the approval of the Company's shareholders on March 3, 2015 to increase the total number of the Company's authorized common shares to 800,000,000 shares. Prior to the Series A shares being converted to common stock, the Series A shares contained a provision that they could be redeemed at each holder's option based on a defined conversion price beginning on November 25, 2015 if not previously converted to common stock. The Series A shares were therefore classified as mezzanine equity in the Company's balance sheet as of December 31, 2014, because at that time such shares could potentially have been redeemed by its holders for events that were outside the Company's control. No accretion to redemption value was required, as redemption was not probable.

Basis of Presentation

The financial statements are prepared in accordance with accounting principles generally accepted in the United States ("GAAP").

Principles of Consolidation

The consolidated financial statements include the accounts of Cocrystal Pharma, Inc. and its wholly owned subsidiaries: RFS Pharma, LLC, Cocrystal Discovery, Inc., Cocrystal Merger Sub, Inc., Baker Cummins Corp. and Biozone Laboratories, Inc. Intercompany transactions and balances have been eliminated.

Liquidity

The Company has no pharmaceutical products approved for sale, has not generated any revenues to date from pharmaceutical product sales, and has incurred significant operating losses since inception. The Company has never been profitable and has incurred losses from operations of $54.0 million and $5.8 million in the years ended December 31, 2015 and 2014, respectively. Subsequent to December 31, 2015, the Company received commitments for a $5,004,370 private stock placement, all of which has been received. The Company does not believe that its cash and cash equivalents of $9.3 million as of December 31, 2015, and funds received in this financing will be sufficient to allow the Company to fund its current operating plan for at least the next 12 months. The ability of the Company to continue as a going concern is dependent on the Company obtaining adequate capital to fund operating losses until it becomes profitable. The Company can give no assurances that any additional capital that it is able to obtain, if any, will be sufficient to meet its needs, or that any such financing will be obtainable on acceptable terms. If the Company is unable to obtain adequate capital, it could be forced to cease operations or substantially curtail its commercial activities. These conditions raise substantial doubt as to the Company's ability to continue as a going concern. The accompanying consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities should the Company be unable to continue as a going concern.
Management's Plan to Continue as a Going Concern:

In order to continue as a going concern, the Company will need, among other things, additional capital resources. Management's plans to obtain such resources for the Company include obtaining capital from the sale of its equity securities during 2016. However, management cannot provide any assurance that the Company will be successful in accomplishing any of its plans.

The ability of the Company to continue as a going concern is dependent upon its ability to successfully accomplish the plans described in the preceding paragraph and eventually to secure other sources of financing and attain profitable operations.

2. Summary of Significant Accounting Policies

Segments

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

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.

Concentrations of Credit Risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist primarily of cash and cash equivalents. The Company maintains deposits in federally insured financial institutions in excess of federally insured limits. The Company has not experienced any losses in such accounts and believes it is not exposed to significant risk on its cash.

The Company's future results of operations involve a number of risks and uncertainties. Factors that could affect the Company's future operating results and cause actual results to vary materially from expectations include, but are not limited to, rapid technological change, regulatory approvals, competition from current treatments and therapies and larger companies, protection of proprietary technology, strategic relationships and dependence on key individuals.

Products developed by the Company require clearances from the U.S. Food and Drug Administration (the "FDA") and other international regulatory agencies prior to commercial sales in their respective markets. The Company's products may not receive the necessary clearances and if they are denied clearance, clearance is delayed or the Company is unable to maintain clearance the Company's business could be materially adversely impacted.

Cash and Cash Equivalents

The Company considers all highly liquid investments with an original maturity from the date of purchase of three months or less to be cash equivalents. Cash and cash equivalents include cash in a readily available checking account.

Marketable securities

Marketable securities consist of equity securities of publicly traded entities, and are classified as available-for-sale and carried at fair value on the balance sheet. Changes in the fair value of marketable securities are recorded as other comprehensive income.

Property and Equipment

Property and equipment, which consists of lab equipment, computer equipment, and office equipment, are stated at cost and depreciated over the estimated useful lives of the assets (three to five years) using the straight-line method.

Goodwill and In-Process Research and Development

Goodwill and an intangible asset for in-process research and development were recorded in connection with the acquisition of RFS Pharma in November 2014. In-process research and development represents a series of awarded patents, filed patent applications and an in-process research program acquired in the acquisition of RFS Pharma that are integral to the development of the Company's planned future products. In-process research and development represents an indefinite-lived intangible asset. As a result, both goodwill and in-process research and development are not amortized but are tested for impairment annually at the reporting unit level on November 30 or more frequently if events and circumstances indicate impairment may have occurred. Factors the Company considers important that could trigger an interim review for impairment include, but are not limited to, the following:

- Significant changes in the manner of its use of acquired assets or the strategy for its overall business;
- Significant negative industry or economic trends;
- Significant decline in stock price for a sustained period; and
- Significant decline in market capitalization relative to net book value.
- Limited funding could further delay development efforts
- Safety or efficacy issues could surface during development efforts
- Clinical outcomes for drug candidates do not lead to regulatory approval

Goodwill and in-process research and development are evaluated for impairment first by a qualitative assessment to determine the likelihood of impairment. If it is determined that impairment is more likely than not, the Company will then proceed to the two step impairment test. For goodwill, the first step is to compare the fair value of the reporting unit to the carrying amount of the reporting unit and for in-process research and development to compare the fair value of the in-process research and development asset to its carrying amount (the "First Step"). If the carrying amount exceeds the fair value, a second step must be followed to calculate impairment (the "Second Step"). Otherwise, if the fair value exceeds the carrying amount, the goodwill or indefinite-lived research and development asset is not considered to be impaired as of the measurement date. In its review of the carrying value of the goodwill for its single reporting unit and its in-process research and development, the Company determines fair values of its goodwill using the market approach, and its in-process research and development asset using the income approach.

In performing the impairment valuation, the Company considered, among other factors, the Company's intention for future use of acquired assets, analyses of historical financial performance and estimates of future performance of Cocrystal Pharma's product candidates. The fair values of intangible assets were calculated primarily using a discounted cash flow analysis of future development costs and exit values under a number of different scenarios. Company management estimated the probabilities of occurrence of each scenario and prepared forecast balance sheets and income statements for the combined company. The rates utilized to discount net cash flows to their present values were based on a range of discount rates from 5.4% (rate during the active periods) to 18.4% (terminal rate).

Upon completion of the impairment evaluation, we have determined that in-process research and development assets related to our Hepatitis C programs have been impaired. During the fourth quarter of 2015, pre-clinical studies on our lead molecule CC-1845 demonstrated higher than acceptable toxicology risk. The Company is working to further isolate the cause(s) of these toxicology issues, but this will further delay our development timetable and lower the probability of successful outcomes upon further development. As a result of these findings, we have determined the carrying value of our Hepatitis C in-process research and development has been impaired by $38.7 million. We have reflected this writedown in the Research and Development operating expenses in our Consolidated Statement of Operations.

Long-Lived Assets

The Company regularly reviews the carrying value and estimated lives of all of its long-lived assets, including property and equipment, to determine whether indicators of impairment may exist which warrant adjustments to carrying values or estimated useful lives. The determinants used for this evaluation include management's estimate of the asset's ability to generate positive income from operations and positive cash flow in future periods as well as the strategic significance of the assets to the Company's business objective. Should an impairment exist, the impairment loss would be measured based on the excess of the carrying amount over the asset's fair value.

Mortgage Note Receivable

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.

In December 2015, Cocrystal Pharma, Inc. issued notice of default letters to 580 Garcia Properties, Daniel Fisher and Sharon Fisher for failure to remit certain payments on a promissory note executed between the parties in June, 2014. Cocrystal Pharma, Inc. also exercised a failure to pay provision within that note to escalate the interest rate from 7.24% to 11.24%. As of March 9, 2016, the additional amounts due Cocrystal Pharma, Inc. total approximately $245,000. Due to the contingent nature of this default action, Cocrystal Pharma, Inc. has not recorded a receivable for this amount in its 2015 financial statements.

Grant Revenue and Accounts Receivable

Research and development grants are recorded as revenue when there is reasonable assurance that the Company has complied with all conditions necessary to achieve the grants, collectability is reasonably assured, and as the expenditures are incurred. Accounts receivable represents amounts due under research and development grants that have not yet been received.

Research and Development Expenses

All research and development costs are expensed as incurred.

Income Taxes

The Company accounts for income taxes under the asset and liability method. Under this method, deferred tax assets and liabilities are determined based on differences between financial reporting and tax bases of assets and liabilities and are measured using enacted tax rates and laws that are expected to be in effect when the differences are expected to be recovered or settled. Realization of deferred tax assets is dependent upon future taxable income. A valuation allowance is recognized if it is more likely than not that some portion or all of a deferred tax asset will not be realized based on the weight of available evidence, including expected future earnings. The Company recognizes an uncertain tax position in its financial statements when it concludes that a tax position is more likely than not to be sustained upon examination based solely on its technical merits. Only after a tax position passes the first step of recognition will measurement be required. Under the measurement step, the tax benefit is measured as the largest amount of benefit that is more likely than not to be realized upon effective settlement. This is determined on a cumulative probability basis. The full impact of any change in recognition or measurement is reflected in the period in which such change occurs. The Company elects to accrue any interest or penalties related to income taxes as part of its income tax expense.

Stock-Based Compensation

The Company recognizes compensation expense using a fair-value-based method for costs related to stock-based payments, including stock options. The fair value of options awarded to employees is measured on the date of grant using the Black-Scholes option pricing model and is recognized as expense, net of a forfeiture rate, over the requisite service period on a straight-line basis.

Use of the Black-Scholes option pricing model requires the input of subjective assumptions including expected volatility, expected term, and a risk free interest rate. The Company estimates volatility using market comparable entities since the Company's common stock has limited trading history and limited observable volatility of its own. The expected term of the options is estimated by using the Securities and Exchange Commission Staff Bulletin No. 107's *Simplified Method for Estimate Expected Term*. The risk free interest rate is estimated using comparable published federal funds rates.

Common Stock Purchase Warrants and Other Derivative Financial Instruments

We classify as equity any contracts that require physical settlement or net-share settlement or provide us a choice of net-cash settlement or settlement in our own shares (physical settlement or net-share settlement) provided that such contracts are indexed to our own stock as defined in ASC 815-40, *Contracts in Entity's Own Equity*. We classify as assets or liabilities any contracts that require net-cash settlement (including a requirement to net cash settle the contract if an event occurs and if that event is outside our control) or give the counterparty a choice of net-cash settlement or settlement in shares (physical settlement or net-share settlement). We assess classification of our common stock purchase warrants and other free standing derivatives at each reporting date to determine whether a change in classification between assets and liabilities is required.

Our derivative instruments consisting of warrants to purchase our common stock were valued using the Black-Scholes option pricing model, using the following assumptions at December 31, 2015:

- Estimated dividends: None
- Expected volatility: 78 - 101%
- Risk-free interest rate: 0.49 - 2.20%
- Expected term: 0.20 – 8.0 years

Recent Accounting Pronouncements

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

In February 2016, the FASB issued ASU No. 2016-02, *Leases*. The new standard establishes a right-of-use (ROU) model that requires a lessee to record a ROU asset and a lease liability on the balance sheet for all leases with a term longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The Company is currently evaluating the impact of its pending adoption of the new standard on its consolidated financial statements.

3. RFS Pharma, LLC Acquisition

On November 25, 2014, the Company entered into and closed an Agreement and Plan of Merger with RFS Pharma. At the closing of the merger, the Company issued to RFS Pharma's members 1,000,000 shares of the Company's Series A preferred shares to purchase all of the outstanding member interests in RFS Pharma, and also issued 16,542,538 options to purchase the Company's common stock as replacements of awards previously issued to employees of RFS Pharma. The Series A shares automatically converted into 340,760,802 shares of the Company's common stock upon the approval of the Company's shareholders on March 3, 2015 to increase the total number of the Company's authorized common shares to 800,000,000 shares.

The goodwill associated with the acquisition is not deductible for tax purposes.

The fair value of the Series A shares was based on the quoted market price of the Company's common stock into which the Series A shares were convertible and the fair value of the replacement options issued was based on the Black-Scholes option pricing model.

The purchase price consideration was allocated based on the estimated fair value of the tangible and identifiable intangible assets acquired and liabilities assumed from RFS Pharma. Based upon the estimated fair values determined by the Company, the total purchase price was allocated as follows (in thousands):

Purchased in-process research and development	$ 184,966
Net book value of tangible assets acquired	(183)
Goodwill	65,195
Deferred tax liability	(65,195)
Total purchase price	$ 184,783

4. **Property and Equipment**

Property and equipment consist of the following as of December 31 (in thousands):

	2015	2014
Lab equipment	$ 1,205	$ 1,146
Computer and office equipment	378	87
Total equipment	1,583	1,233
Less accumulated depreciation	(1,153)	(949)
Property and equipment, net	$ 430	$ 284

Depreciation expense for the years ended December 31, 2015 and 2014 was $192,000 and $199,000, respectively.

5. **Marketable Securities**

As of December 31, 2014, the Company owned 260,000 shares of MusclePharm, Inc. ("MusclePharm") common stock. The 260,000 shares were part of 600,000 shares originally issued to the Company related to the Company's sale of assets to MusclePharm that were required to be held in escrow until October 2014 to satisfy any breaches of representations under the Biozone Merger Agreement. The 600,000 shares received by the Company that were not required to be held in escrow were sold for $5,400,000 in June 2014. On September 29, 2014, the Company signed a Memo of Understanding in which it agreed to release 90,000 shares of MusclePharm stock out of the original balance of 600,000 shares held in escrow in exchange for a release from all claims which MusclePharm had made concerning assets which it acquired in its purchase of assets from the Company in January 2014. The Company recognized a net loss on the return of these MusclePharm shares of $584,000 in the year ended December 31, 2014. In October 2014, MusclePharm exercised its right to repurchase 250,000 shares of MusclePharm shares at $10.00 per share. MusclePharm did not withdraw the portion of its claim that relates to the pending eviction proceedings (See note 15) and was to continue to hold in escrow 260,000 shares of its stock pending such time as MusclePharm and the Company can reach a mutually agreeable arrangement with respect to the MusclePharm lease. However, during the second quarter of 2015, the escrow agent released these shares held in escrow to MusclePharm without Cocrystal Pharma, Inc's consent. The Company recorded a $1,686,000 loss on this conversion but is vigorously seeking reimbursement from MusclePharm for the loss recognized on these shares.

6. **Mortgage Note Receivable**

In June 2014, the Company acquired a mortgage note from a bank for $2,626,290 which is collateralized by, among other things, the underlying real estate and related improvements. The property subject to the mortgage is owned by Daniel Fisher, one of the founders of Biozone, and is currently under lease to MusclePharm. At December 31, 2015, the carrying amount of the mortgage note receivable was $2,512,000, which consisted of $2,432,000 of principal, $53,000 of interest and $27,000 of fees paid to the selling bank. The mortgage note has a maturity date of August 1, 2032 and bears an interest rate of 7.24%.

However, on December 23, 2015, the Company issued notice of default letters to 580 Garcia Properties, Daniel Fisher and Sharon Fisher for failure to remit certain payments on a promissory note executed between the parties in June 2014. Cocrystal Pharma, Inc. also exercised a failure to pay provision within that note to escalate the interest rate from 7.24% to 11.24%. As of February 9, 2016, the additional amounts due Cocrystal Pharma, Inc. total approximately $245,000. Due to the contingent nature of this default action, Cocrystal Pharma, Inc. has not recorded a receivable for this amount in its 2015 financial statements.

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.

7. **Convertible Preferred Stock**

Series A Convertible Preferred Stock

As of January 1, 2014, Cocrystal Discovery, Inc. had outstanding shares of its Series A Preferred Stock ("Cocrystal Discovery Series A"). The holders of Cocrystal Discovery Series A preferred stock were entitled to receive cumulative dividends at a rate of $0.1153 per share per annum. The preferred stock dividends were payable when and if declared by the Company's Board of Directors. No dividends were ever declared on the Cocrystal Discovery Series A.

In connection with the merger with Biozone in January 2014, the Company exchanged the above Cocrystal Discovery Series A for a new Series B Convertible Preferred Stock. See below for more information.

The Company has authorized up to 5,000,000 shares of preferred stock, $0.001 par value per share, for issuance. In connection with the merger with RFS Pharma in November 2014, the Company created a new series of Series A Preferred Stock ("Series A"). The Series A shares automatically converted into 340,760,802 shares of the Company's common stock on March 3, 2015 as a result of the Company's shareholders approving an increase in the number of the Company's authorized common shares to 800,000,000. The Series A shares were classified as mezzanine equity in the Company's consolidated balance sheet as of December 31, 2014, because at that date such shares could potentially have been redeemed by its holders for events that were outside the Company's control. No accretion to redemption value was

required, as redemption was not probable.

Series B Convertible Preferred Stock

In connection with the merger with Biozone, the Company issued to Cocrystal Discovery's Series A and Common security holders 1,000,000 shares of the Company's Series B Convertible Preferred Stock ("Series B"). The Series B shares automatically converted into 205,083,086 shares of the Company's common stock on March 3, 2015 as a result of the Company's shareholders approving an increase in the number of the Company's authorized common shares to 800,000,000.

8. Common Stock

As of December 31, 2015, the Company had 800,000,000 shares of authorized common stock, $0.001 par value per share, and had 694,396,187 shares issued and outstanding. As discussed above, on March 3, 2015, the Company's shareholders approved an increase in the number of authorized shares to 800,000,000, which automatically resulted in the conversion of all outstanding Series A and Series B shares to common stock and thereby increased the number of outstanding shares of common stock by 545,844,608**.**

The holders of common stock are entitled to one vote for each share of common stock held.

9. Stock Based Awards

Equity Incentive Plans

The Company adopted an equity incentive plan (the "2007 Plan") in 2007 under which 53,599,046 shares of common stock have been reserved for issuance to employees, nonemployee directors and consultants of the Company. Recipients of incentive stock options shall be eligible to purchase shares of the Company's common stock at an exercise price equal to no less than the estimated fair market value of such stock on the date of grant. The maximum term of options granted under the 2007 Plan is ten years. The options generally vest 25% after one year, with the balance vesting monthly over the remaining three years. No further stock option grants will result from The 2007 Plan. All remaining shares from this plan, approximately 30 million, were allocated for our March 2016 financing efforts.

The Company adopted a second equity incentive plan (the "2015 Plan") in 2015 under which 50,000,000 shares of common stock have been reserved for issuance to employees, directors and consultants of the Company. Recipients of incentive stock options shall be eligible to purchase shares of the Company's common stock at an exercise price equal to no less than the estimated fair market value of such stock on the date of grant. The maximum term of options granted under the 2015 Plan is ten years. The options generally vest 25% after one year, with the balance vesting monthly over the remaining three years. As of December 31, 2015, 28,030,000 shares of common stock remain available for future grant under the 2015 Plan.

The following table summarizes stock option transactions for the 2007 and 2015 Plans for the years ended December 31, 2014 and 2015:

	Number of shares available for grant	Total options outstanding	Weighted Average Exercise Price	Aggregate Intrinsic Value
Balance at December 31, 2013	1,648	4,403	$ 0.12	$ 3,406
Increase in option pool	47,459	-		
Options granted to merger employees	(16,543)	16,543	0.10	
Exercised	-	(1,087)	0.11	
Cancelled	258	(258)	0.11	
Balance at December 31, 2014	32,823	19,600	0.10	15,484
Increase in authorized options	50,000			
Exercised	(183)	(183)	0.13	
Granted	(23,720)	23,720	0.78	
Cancelled	66	(66)	0.12	
Redeployed for March 2016 Financing	(29,500)			
Balance at December 31, 2015	29,485	43,071	$ 0.48	$ 17,867

The Company recognizes compensation expense using a fair-value-based method for costs related to stock-based payments, including stock options. The fair value of options awarded to employees is measured on the date of grant using the Black-Scholes option pricing model and is recognized as expense over the requisite service period on a straight-line basis. The Black-Scholes option pricing model includes the following weighted average assumptions:

	Year Ended December 31,	
	2015	2014
Assumptions:		
Risk-free interest rate	1.66 - 2.08%	1.08 - 2.51%
Expected dividend yield	0%	0%
Expected volatility	78 -108%	108%
Expected terms (in years)	5.00 - 6.50	6.08

During 2015, the Company granted 21,970,000 options under the 2015 Plan and 1,750,000 under the 2007 Plan with exercise prices ranging from $0.70 to $1.17 per share. Exercise prices under the 2015 Plan reflect the market price of Cocrystal Pharma, Inc. stock on the grant date. The weighted average fair value of options granted during 2015 and 2014 were $0.55 and $0.45, respectively.

The Company uses historical data to estimate forfeitures at the time of grant and is required to record stock-based compensation only for those awards that are expected to vest. The Company has assumed a zero forfeiture rate in the valuation of awarded stock options. The Company recorded employee stock-based compensation expense of $2,964,196 and $37,578 for the years ended December 31, 2015 and 2014, respectively.

As of December 31, 2015, there was $11,363,990 of total unrecognized compensation expense related to non-vested employee stock options that is expected to be recognized over a weighted average period of 4.2 years.

As of December 31, 2015, options to purchase 43,071,206 shares of common stock, with an aggregate intrinsic value of $17,866,633 were outstanding that were fully vested or expected to vest with a weighted average remaining contractual term of 5.0 years. As of December 31, 2015, options to purchase 20,115,156 shares of common stock, with an aggregate intrinsic value of $13,818,911, were exercisable with a weighted-average exercise price of $0.203 per share and a weighted-average remaining contractual term of 4.1 years. The aggregate intrinsic value of outstanding and exercisable options at December 31, 2015 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 December 31, 2015 of $0.89 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.

Common Stock Reserved for Future Issuance

The following table present information concerning common stock available for future issuance (in thousands):

	December 31,	
	2015	2014
Stock options issued and outstanding	43,071	19,600
Authorized for future option grants	29,485	32,823
Warrants outstanding	8,280	26,669
Total	80,836	79,092

10. Warrants

The following is a summary of activity in the number of warrants outstanding to purchase the Company's common stock for the year ended December 31, 2015 (in thousands):

	Warrants accounted for as: Equity			Warrants accounted for as: Liabilities					
	January 2012 warrants	March 2013 warrants	April 2013 warrants	February 2012 warrants	August 2013 warrants	October 2013 warrants	October 2013 Series A warrants	January 2014 warrants	Total
Outstanding, January 1, 2014	-	-	-	-	-	-	-	-	-
Warrants acquired in merger with Biozone	650	455	1,864	1,000	10,000	200	7,000	-	21,169
Warrants issued	-	-	-	-	-	-	-	5,500	5,500
Outstanding, December 31, 2014	650	455	1,864	1,000	10,000	200	7,000	5,500	26,669
Warrants exercised	-	-	(364)	-	(10,000)	(200)	(6,325)	(1,500)	(18,389)

Outstanding, December 31, 2015	650	455	1,500	1,000	-	-	675	4,000	8,280
Expiration date	January 11, 2016	March 1, 2016	April 25, 2018	February 28, 2016	August 26, 2023	October 18, 2018	October 24, 2023	January 16, 2024	

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 by Biozone in connection with equity financings in February 2012, August 2013, October 2013 and January 2014, which were assumed by the Company in connection with its merger with Biozone in January 2014. As of December 31, 2015, 5,675,000 warrants are accounted for as liabilities and 2,605,000 warrants are accounted for as equity. Warrants accounted for as liabilities are either potentially settleable in cash or not indexed to the Company's own stock because they contain contingencies under which the Company could be forced to settle them for cash or because they contain potential adjustments to their exercise price. As such, they 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 operations and comprehensive income (loss) as changes in fair value of derivative liabilities. The fair value of the warrants classified as liabilities is estimated using the Black-Scholes option-pricing model with the following inputs as of December 31, 2015:

	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)	0.2	7.7	2.8	7.8	8.0
Cumulative volatility %	81%	101%	78%	101%	100%
Risk-free rate %	0.49%	2.18%	1.26%	2.14%	2.15%

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.

11. Licenses and Collaborations

Emory University: Cocrystal Pharma has an exclusive license from Emory University for use of certain inventions and technology related to inhibitors of hepatitis C virus that were jointly developed by Emory and Cocrystal Pharma employees. The License Agreement is dated March 7, 2013 wherein Emory agrees to add to the Licensed Patents and Licensed Technology Emory's rights to any patent, patent application, invention, or technology application that is based on technology disclosed within three (3) years of March 7, 2013. The agreement includes payments due to Emory ranging from $40,000 to $500,000 based on successful achievement of certain drug development milestones. Additionally, Cocrystal may have royalty payments at 3.5% of net sales due to Emory with a minimum in year one of $25,000 and increase to $400,000 in year five upon product commercialization. One of Cocrystal's Directors, Dr. Raymond Schinazi, is also a faculty member at Emory University.

NIH: Cocrystal Pharma has two Public Health Biological Materials License Agreements with the NIH. The original License Agreements were dated August 31, 2010 and it was amended on November 6, 2013. The materials licensed are being used in Norovirus assays to screen potential antiviral agents in our library.

University of Pittsburgh and Emory University: Cocrystal Pharma assigned its patent rights to the patent titled "3'-AZIDO PURINENUCLEOTIDE PRODRUGS FOR TREATMENT OF VIRAL INFECTIONS" to University of Pittsburgh on November 21, 2014. This patent is jointly owned by Cocrystal Pharma, the University of Pittsburgh and Emory University. One of Cocrystal's Directors, Dr. Raymond Schinazi, is also a faculty member at Emory University.

Duke University and Emory University: Cocrystal Pharma has entered an agreement to license various patents and know-how to use CRISPR/Cas9 technologies for developing a possible cure for hepatitis B virus (HBV) and human papilloma virus (HPV). This license allows Cocrystal Pharma to develop and potentially commercialize a cure for HBV utilizing the underlying patents and technologies developed by the universities. This agreement includes a non-refundable $100,000 license fee payable to Duke upon a determination of rights letter from the U.S. Veterans Administration with respect to patents and know-how that disclaims any ownership interest. Future royalties may be payable to Duke, ranging from 2-5% of net sales depending on achieving certain sales milestones, if commercial products are developed using this know-how. One of Cocrystal's Directors, Dr. Raymond Schinazi, is also a faculty member at Emory University.

12. Fair Value Measurement

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

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

The Company categorized its cash equivalents as Level 1 fair value measurements. The warrants are valued using the Black-Scholes option-pricing model as discussed in Note 10 above.

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

Description	December 31, 2015	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Assets:				
Cash and cash equivalents	$ 9,276	$ 9,276	$ -	$ -
Marketable securities	-	-	-	-
Total assets	$ 9,276	$ 9,276	$ -	$ -
Liabilities:				
Warrants potentially settleable in cash	$ 4,115	$ -	$ -	$ 4,115
Total liabilities	$ 4,115	$ -	$ -	$ 4,115

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

The Company has not transferred any financial instruments into or out of Level 3 classification during the year ended December 31, 2015. A reconciliation of the beginning and ending Level 3 liabilities for the years ended December 31, 2015 and 2014, is as follows (in thousands):

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)	
	2015	2014
Balance , January 1,	$ 8,464	$ 23
Value of warrants converted in cashless exercise	(14,265)	-
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 year ended	9,916	(5,707)
Balance at December 31,	$ 4,115	$ 8,464

13. 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 Diluted net income (loss) per common share is computed by dividing net income (loss) attributable to common stockholders by the weighted average number of common shares that would have been outstanding during the period assuming the issuance of common stock for all potential dilutive common shares outstanding. Potential common shares consist of shares issuable upon the exercise of stock options and warrants. Because the inclusion of potential common shares would be anti-dilutive for the years ended December 31, 2015 and December 31, 2014, diluted net loss per 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 loss per share (amounts in thousands, except per share amounts):

	For the year ended:	
	2015	2014
Numerator:		
Net loss attributable to shareholders	$ (50,122)	$ (99)
Adjustment for change in fair value of derivative liability	-	(2,228)
Net loss attributable to shareholders	$ (50,122)	$ (2,327)
Denominator:		
Weighted average shares outstanding used to compute net loss per share:		
Basic	630,316	326,779
Adjustment for dilutive effects of warrants	-	954
Diluted	630,316	327,733
Net loss per share		
Basic	$ (0.08)	$ (0.00)
Diluted	$ (0.08)	$ (0.01)

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

	For the year ended December 31,	
	2015	2014
Options to purchase common stock	43,071	19,600
Warrants to purchase common stock	8,280	16,669
Total	51,351	36,269

14. Income Taxes

In accordance with the authoritative guidance for income taxes under ASC 740, a deferred tax asset or liability is determined based on the difference between the financial statement and the tax basis of assets and liabilities as measured by the enacted tax rates, which will be in effect when these differences reverse. The Company provides a valuation allowance against net deferred tax assets unless, based upon the available evidence, it is more likely than not that the deferred tax assets will be realized.

The Company recognizes the impact of a tax position in the financial statements only if that position is more likely than not of being sustained upon examination by taxing authorities, based on the technical merits of the position. The Company's practice is to recognize interest and/or penalties related to income tax matters in income tax expense.

The Company is subject to taxation in the U.S. and various state jurisdictions. Currently no years are under examination. All tax years are subject to examination by the U.S. and state tax authorities due to the carry-forward of unutilized net operating losses and research and development credits.

A reconciliation of income tax expense (benefit) for the years ended December 31, 2015 and 2014 is as follows:

	Year Ended December 31,	
	2015	2014
Current:		
Federal	$ -	$ -
State	19	2
Total current income tax expense	19	2
Deferred:		
Federal	(12,001)	(51)
State	(3,266)	(3)
Total deferred income tax expense (benefit)	(15,267)	(54)
Total income tax expense (benefit)	$ (15,248)	$ (52)

Significant components of the Company's deferred income taxes at December 31, 2015 and 2014 are shown below (in thousands):

	December 31,	
	2015	2014
Deferred Tax Assets:		
Net operating loss carryforwards	$ 14,273	$ 7,276
Compensation	1,098	14
Research and development tax credits	972	835
Other	128	65
Total gross deferred tax assets	16,471	8,190
Deferred Tax Liabilities		
Unrealized gain on marketable securities	-	(185)
Property and equipment	(5)	(18)
Acquired in-process research and development	(49,875)	(65,195)
Total Deferred Tax Liabilities	(49,880)	(65,398)
Net deferred tax assets	(33,409)	(57,208)
Valuation allowance	(16,466)	(7,986)
Net Deferred Tax Liability	$ (49,875)	$ (65,194)

The Company has established a valuation allowance against net deferred tax assets due to the uncertainty that such assets will be realized. The Company periodically evaluates the recoverability of the deferred tax assets. At such time as it is determined that it is more likely than not that deferred tax assets will be realizable, the valuation allowance will be reduced. The Company has not considered the deferred tax liability related to acquired in-process research and development to be a future source of taxable income in evaluating the need for a valuation allowance against its deferred tax assets due to the in-process research and development asset being considered an indefinite-lived intangible asset.

At December 31, 2015, the Company had federal and California net operating losses, or NOL, carryforwards of approximately $40.5 million and $8.1 million, respectively. The federal NOL carryforwards begin to expire in 2027, and the California NOL carryforwards begin to expire in 2029. At December 31, 2015, the Company also had federal and California research tax credit carryforwards of approximately $802,000 and $258,000, respectively. The federal research tax credit carryforwards begin to expire in 2029, and the California research tax credit carryforwards do not expire and can be carried forward indefinitely until utilized.

The above NOL carryforwards and the research tax credit carryforwards may be subject to an annual limitation under Section 382 and 383 of the Internal Revenue Code of 1986, and similar state provisions if the Company experienced one or more ownership changes, which would

limit the amount of NOL and tax credit carryforwards that can be utilized to offset future taxable income and tax, respectively. In general, an ownership change, as defined by Section 382 and 383, results from transactions increasing ownership of certain stockholders or public groups in the stock of the corporation by more than 50 percentage points over a three-year period. The Company has not completed an IRC Section 382/383 analysis. If a change in ownership were to have occurred, NOL and tax credit carryforwards could be eliminated or restricted. If eliminated, the related asset would be removed from the deferred tax asset schedule with a corresponding reduction in the valuation allowance. Due to the existence of the valuation allowance, limitations created by future ownership changes, if any, will not impact the Company's effective tax rate.

A reconciliation of the federal statutory income tax rate to the Company's effective income tax rate is as follows:

	Year Ended December 31,	
	2015	**2014**
Statutory federal income tax rate	34.0%	34.0%
Change in fair value of warrant liability	(5.2)%	10.7%
State income taxes, net of federal benefit	0.1%	0.4%
Tax credits	0.3%	0.9%
Change in valuation allowance	(12.5)%	(11.2)%
Permanent differences	(0.8)%	0.7%
State rate adjustment	3.3%	
Other	4.4%	0.1%
Effective rate	23.6%	34.1%

15. Commitments and Contingencies

Commitments

The Company leases office and laboratory space in Bothell, Washington; Tucker, Georgia; and Princeton, New Jersey, under operating leases that expire in January 2019, December 2016, and September 2016, respectively. Future minimum lease payments, by year and in aggregate, are as follows (in thousands):

Year ending December 31		
2016	$	361
2017		159
2018		168
2019		14
Total Minimum Lease Payments	$	702

The minimum lease payments above do not include common area maintenance (CAM) charges, which are contractual obligations under some of the Company's operating leases, but are not fixed and can fluctuate from year to year.

The minimum lease payments above include the amounts that would be paid if the Company maintains its Bothell lease for the five year term. The Company has the right to terminate this lease after three years, by giving prior notice at least 180 days prior to such early termination date and by paying a termination fee equal to the sum of three months' rent plus the unamortized balance of the sum of (a) all brokerage commissions paid by the landlord of the property in connection with the lease and (b) the abated free base rent related to the five months of the lease, treating items (a) and (b) as being amortized on a level basis over the five year base term of the lease.

The offices and laboratory space in Tucker, Georgia are leased from a trust established, in part, for the benefit of one of Cocrystal's Directors, Dr. Raymond Schinazi.

Rent expense for 2015 and 2014, totaled $375,000 and $295,000, respectively.

Contingencies

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

The Company has been named as a party to a lawsuit filed on April 15, 2014 in Contra Costa County, California by Insean entity managed by Mr. Daniel Fisher. Also named in this action are two of the Company's subsidiaries – BioZone Labs and Cocrystal Discovery. The action seeks recovery on a promissory note purportedly executed by BioZone Labs in the principal amount of $295,000 in 2007, or almost seven years before the Company's acquisition of Cocrystal Discovery. Motions challenging the sufficiency of the allegations in the complaint were filed in the third quarter, 2014. The motions were granted and plaintiff was given an opportunity to amend the complaint, and plaintiff has filed an amended complaint. On July 2, 2015 the Company, along with its subsidiaries and other named defendants, filed a motion to bifurcate the action, and stay discovery on one of the causes of action. This motion was granted on August 27, 2015 and the Court limited the scope of discovery in the first phase of the case. The Court also ordered that the Company post a bond for the amount of $295,000, and the Company complied with the Order by posting the bond on September 29, 2015. This is recorded as a short-term deposit. The action should shortly be "at issue" with all parties joined, and the Company expects a trial date on the breach of contract claims, only, to be set at a Case Management Conference presently scheduled to occur on April 19, 2016. The Company further expects to again pursue summary adjudication of the contract claims against it (its prior motion having been denied without prejudice to re-filing), following the Case Management Conference. The Company intends to vigorously defend the action.

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

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

In December 2015, Cocrystal Pharma, Inc. issued notice of default letters to 580 Garcia Properties, Daniel Fisher and Sharon Fisher for failure to remit certain payments on a promissory note executed between the parties in June, 2014. Cocrystal Pharma, Inc. also exercised a failure to pay provision within that note to escalate the interest rate from 7.24% to 11.24%. As of February 9, 2016 the additional amounts due Cocrystal Pharma, Inc. total approximately $245,000. Due to the contingent nature of this default action, Cocrystal Pharma, Inc. has not recorded a receivable for this amount in its 2015 financial statements.

16. Subsequent Events

On March 15, 2016, Cocrystal Pharma, Inc. (the “Company”) accepted subscription agreements representing investor commitments totaling $5,004,370 in a private placement offering to investors who participated in the March 2015 private placement on a pro-rata basis to their participation in the March 2015 private placement (the “Offering”) of 9,812,491 shares of the Company’s common stock at a purchase price of $0.51 per share. The purchasers included 7 members of the Company’s board of directors including Dr. Raymond F. Schinazi and Dr. Phil Frost.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information required by Item 10 will be included in the Proxy Statement to be filed relating to our 2016 Annual Meeting of Stockholders and is incorporated herein by reference.

Item 11. Executive Compensation

The information required by Item 11 will be included in the Proxy Statement to be filed relating to our 2016 Annual Meeting of Stockholders and is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by Item 12 will be included in the Proxy Statement to be filed relating to our 2016 Annual Meeting of Stockholders and is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required by Item 13 will be included in the Proxy Statement to be filed relating to our 2016 Annual Meeting of Stockholders and is incorporated herein by reference.

Item 14. Principal Accountant Fees and Services

The information required by Item 14 will be included in the Proxy Statement to be filed relating to our 2016 Annual Meeting of Stockholders and is incorporated herein by reference.

PART IV

Item 15. Exhibits, Financial Statement Schedules

EXHIBIT INDEX

		Incorporated by Reference			Filed or Furnished Herewith
Exhibit No.	**Exhibit Description**	**Form**	**Date**	**Number**	
10.1	Securities Purchase Agreement		02/26/15	10.1	Furnished
10.2	Curtis Dale Employment Agreement	8-K	11/17/15	10.2	Filed
10.3	Jeffrey Meckler Employment Agreement*	8-K	9/24/15	10.3	Filed
10.4	Douglas Mayers Employment Agreement*	8-K	9/24/15	10.4	Filed
10.5	Walt Linscott Employment Agreement*	8-K	7/27/15	10.5	Filed
10.6	Walt Linscott Stock Option Agreement*	8-K	7/27/15	10.6	Filed
10.7	2015 Equity Incentive Plan*	DEF 14A	6/1/15	10.7	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				Filed
101.SCH	XBRL Taxonomy Extension Schema Document				Filed
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document				Filed
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document				Filed
101.LAB	XBRL Taxonomy Extension Label Linkbase Document				Filed
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document				Filed

* Management contract or compensatory plan or arrangement.

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

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

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., 1860 Montreal Road, Tucker, Georgia, 30084.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.	
March 15, 2016	By:	/s/ Jeffrey Meckler
		Jeffrey Meckler Chief Executive Officer (Principal Executive Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

SIGNATURE	TITLE	DATE
/s/ Jeffrey Meckler Jeffrey Meckler	Chief Executive Officer (Principal Executive Officer) and Director	March 15, 2016
/s/ Raymond F. Schinazi Raymond F. Schinazi	Chairman	March 15, 2016
/s/ David Block David Block	Director	March 15, 2016
/s/ Phillip Frost Phillip Frost	Director	March 15, 2016
/s/ Jane Hsiao Jane Hsiao	Director	March 15, 2016
/s/ Steven Rubin Steven Rubin	Director	March 15, 2016
/s/ Gary Wilcox Gary Wilcox	Director	March 15,2016
/s/ Curtis Dale Curtis Dale	Chief Financial Officer (Principal Accounting Officer)	March 15, 2016

Exhibit 10.1

SECURITIES PURCHASE AGREEMENT

THIS SECURITIES PURCHASE AGREEMENT (the “Agreement”) entered into as of this 26th day of February, 2016 (the “Effective Date”) by and between the parties on the signature page to this Agreement (each, a “Purchaser”), and Cocrystal Pharma, Inc., a Delaware corporation (“COCP”) (collectively, the Purchaser and COCP are the “Parties”).

WHEREAS, this Agreement contemplates a transaction in which the Purchaser will purchase from COCP, and COCP will sell to the Purchaser, up to $15 million of COCP common stock on the terms contained below;

NOW, THEREFORE, in consideration of the mutual promises contained herein, and for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties hereto agree as follows:

1 . **Sale and Purchase**. COCP agrees to sell and the Purchaser agrees to purchase a number of shares of COCP common stock (the “Shares”) as calculated on the signature page to this Agreement at a price per share equal to a 10% discount from the average closing price of the Shares on the OTC Markets for the five trading days prior to February 26, 2016 which is $0.51 per Share. All funds shall be wired to COCP within three business days in accordance with Exhibit A. The Purchaser acknowledges that certain former holders of the Company’s preferred stock certain rights of first refusal (the “ROFR”). In order to promptly close the sale of the Shares prior to expiration of the ROFR exercise period, the Company and the Purchaser agree that to the extent that any such former preferred stockholders exercise their ROFR rights and elect to purchase Shares the total purchases pursuant to this Agreement and the ROFR may exceed $15 million and the Company shall use such excess to fund its operations.

2 . **Representations and Warranties of COCP**. As an inducement to the Purchaser to enter into this Agreement and consummate the transaction contemplated hereby, COCP hereby makes the following representations and warranties, each of which is materially true and correct on the date hereof:

2 . 1 Organization. COCP is a corporation duly organized, validly existing, and in good standing under the laws of the State of Delaware and is duly authorized to conduct business as currently conducted.

2 . 2 Authority. COCP has full power and authority to execute and deliver this Agreement and to perform its obligations hereunder. This Agreement constitutes the valid and legally binding obligation of COCP, enforceable in accordance with its terms. The execution, delivery, and performance of this Agreement and all other agreements contemplated hereby have been duly authorized by COCP.

2.3 Non-Contravention. The execution and delivery of this Agreement by COCP and the observance and performance of the terms and provisions contained herein do not constitute a violation or breach of any applicable law, or any provision of any other contract or instrument to which COCP is a party or by which it is bound, or any order, writ, injunction, decree, statute, rule, by-law or regulation applicable to COCP.

2 . 4 Litigation. There are no actions, suits, or proceedings pending or, to the best of COCP’s knowledge, threatened, which could in any manner restrain or prevent COCP from effectually and legally selling the Shares pursuant to the terms and provisions of this Agreement. COCP is not a party to any litigation except as has been disclosed in its Form 10-K filed with the Securities and Exchange Commission (the “SEC”).

2 . 5 Brokers’ Fees. COCP has no liability or obligation to pay fees or commissions to any broker, finder, or agent with respect to the transactions contemplated by this Agreement.

2 . 6 Reporting Company. COCP is a publicly-held company subject to reporting obligations pursuant to Section 13 of the Securities Exchange Act of 1934 (the “Exchange Act”) and has a class of common stock registered pursuant to Section 12(g) of the Exchange Act.

2.7 SEC Reports. COCP has filed with the SEC all reports required to be filed since January 1, 2014, none of the reports filed with the SEC contained any material statements which were not true and correct or omitted to state any statements of material fact necessary in order to make the statements made not misleading.

2.8 Outstanding Securities. All issued and outstanding shares of capital stock and equity interests in COCP have been duly authorized and validly issued and are fully paid and non-assessable.

2.9 No Material Adverse Change. Since November 16, 2015 (filing date of the last Form 10-Q), there has not been individually or in the aggregate a Material Adverse Change with respect to COCP. For the purposes of this Agreement, “Material Adverse Change” means any event, change or occurrence which, individually or together with any other event, change, or occurrence, could result in a material adverse change on COCP or material adverse change on its business, assets, financial condition, or results of operations. Provided, however, a Material Adverse Change does not exist solely because (i) there are changes in the economy, credit markets or capital markets, or (ii) changes generally affecting the industry in which COCP operates.

3. **Representations and Warranties of the Purchaser**. As an inducement to COCP to enter into this Agreement and to consummate the transactions contemplated hereby, the Purchaser hereby makes the following representations and warranties, each of which is materially true and correct on the date hereof and will be materially true and correct on the closing date:

3.1 Authority. The Purchaser has full power and authority to execute and deliver this Agreement and to perform its obligations hereunder. This Agreement constitutes the valid and legally binding obligation of the Purchaser, enforceable in accordance with its terms. The execution, delivery, and performance of this Agreement and all other agreements contemplated hereby have been duly authorized by the Purchaser.

3.2 Non-Contravention. The execution and delivery of this Agreement by the Purchaser and the observance and performance of the terms and provisions of this Agreement on the part of the Purchaser to be observed and performed will not constitute a violation of applicable law or any provision of any contract or other instrument to which the Purchaser is a party or by which it is bound, or any order, writ, injunction, decree statute, rule or regulation applicable to it.

3.3 Litigation There are no actions, suits, or proceedings pending or, to the best of the Purchaser's knowledge, threatened, which could in any manner restrain or prevent the Purchaser from effectually and legally purchasing the Shares pursuant to the terms and provisions of this Agreement.

3.4 Brokers' Fees. The Purchaser has no liability or obligation to pay fees or commissions to any broker, finder, or agent with respect to the transactions contemplated by this Agreement.

3.5 Information. The Purchaser has relied solely on the reports of COCP filed with the SEC, other publicly available information and other written and electronic information prepared by COCP in making its decision to purchase the Shares. The Purchaser acknowledges that the purchase of the Shares entails a high degree of risk including the risks highlighted in the risk factors contained in filings by COCP with the SEC including its annual report on Form 10-K for the year ended December 31, 2014 and subsequent Form 10-Qs. The Purchaser represents that it has had an opportunity to ask questions and receive answers from COCP regarding the terms and conditions of this Agreement and the reasons for this offering, the business prospects of COCP, the risks attendant to COCP's business, and the risks relating to an investment in COCP. The Purchaser acknowledges the receipt (without exhibits) of or access to the reports filed with SEC at www.sec.gov which includes COCP's reports referred to in this Section 3.5.

3.6 Investment. The Purchaser is acquiring the Shares for its own account for investment and not with a view to, or for sale in connection with, any distribution thereof, nor with any present intention of distribution or selling the same, and, except as contemplated by this Agreement, and has no present or contemplated agreement, undertaking, arrangement, obligation, indebtedness or commitment providing for the disposition thereof. The Purchaser understands that the Shares may not be sold, transferred or otherwise disposed of without registration under the Act or an exemption therefrom, and that in the absence of an effective registration statement covering the Shares or an available exemption from registration under the Act, the Shares must be held indefinitely.

3.7 Restricted Securities. The Purchaser understands that the Shares have not been registered under the Act in reliance on an exemption from registration under the Securities Act of 1933 (the "Act") pursuant to Section 4(a)(2) thereof and Rule 506(b) thereunder and the Shares will bear a restrictive legend.

3.8 Investment Experience. The Purchaser represents that it is an "accredited investor" within the meaning of the applicable rules and regulations promulgated under the Act, for one of the reasons on the attached Exhibit B to this Agreement. The Purchaser represents and acknowledges that (i) it is experienced in evaluating and investing in private placement transactions in similar circumstances, (ii) it has such knowledge and experience in financial and business matters and is capable of evaluating the merits and risks of the investment in the Shares, (iii) it is able to bear the substantial economic risks of an investment the Shares for an indefinite period of time, (iv) it has no need for liquidity in such investment, (v) it can afford a complete loss of such investment, and (vi) it has such knowledge and experience in financial, tax and business matters so as to enable it to utilize the information made available to it in connection with the offering of the Shares to evaluate the merits and risks of the purchase of the Shares and to make an informed investment decision with respect thereto.

3.9 No General Solicitation. The offer to sell the Shares was directly communicated to the Purchaser by COCP. At no time was the Purchaser presented with or solicited advertisement, articles, notice or other communication published in any newspaper, television or radio or presented at any seminar or meeting, or any solicitation by a person not previously known to the undersigned in connection with the communicated offer.

4. **Survival of Representations and Warranties and Agreements**. All representations and warranties of the Parties contained in this Agreement shall survive the closing.

5. **Indemnification**.

5.1 Indemnification Provisions for Benefit of the Purchaser. In the event COCP breaches any of its representations, warranties, and/or covenants contained herein, and provided that the Purchaser makes a written claim for indemnification against COCP, then COCP agrees to indemnify the Purchaser from and against the entirety of any losses, damages, amounts paid in settlement of any claim or action, expenses, or fees including court costs and reasonable attorneys' fees and expenses.

5.2 Indemnification Provisions for Benefit of COCP. In the event the Purchaser breaches any of its representations, warranties, and/or covenants contained herein, and provided that COCP makes a written claim for indemnification against the Purchaser, then the Purchaser agrees to indemnify COCP from and against the entirety of any losses, damages, amounts paid in settlement of any claim or action, expenses, or fees including court costs and reasonable attorneys' fees and expenses.

6. **Post-Closing Covenants.** The Parties agree as follows with respect to the period following the closing:

6 . 1 General. In case at any time after the closing any further action is necessary or desirable to carry out the purposes of this Agreement, each of the Parties will take such further action (including the execution and delivery of such further instruments and documents) as the other Party may request, all at the sole cost and expense of the requesting Party (unless the requesting Party is entitled to indemnification therefore under Section 5).

6 . 2 Company. COCP hereby covenants that, after the closing, COCP will, at the request of Purchaser, execute, acknowledge and deliver to the Purchaser without further consideration, all such further assignments, conveyances, consents and other documents, and take such other action, as the Purchaser may reasonably request (a) to transfer to, vest and protect in the Purchaser and its right, title and interest in the Shares, and (b) otherwise to consummate or effectuate the transactions contemplated by this Agreement.

7 . **Expenses**. Except as otherwise provided in this Agreement, all Parties hereto shall pay their own expenses, including legal and accounting fees, in connection with the transactions contemplated herein.

8 . **Severability**. In the event any parts of this Agreement are found to be void, the remaining provisions of this Agreement shall nevertheless be binding with the same effect as though the void parts were deleted.

9. **Counterparts**. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument. The execution of this Agreement may be by actual or facsimile signature.

1 0 . **Benefit**. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their legal representatives, successors and assigns. Nothing in this Agreement, expressed or implied, is intended to confer on any person other than the Parties or their respective heirs, successors and assigns any rights, remedies, obligations, or other liabilities under or by reason of this Agreement.

1 1 . **Notices and Addresses**. All notices, offers, acceptance and any other acts under this Agreement (except payment) shall be in writing, and shall be sufficiently given if delivered to the addressees in person, by FedEx or similar overnight next business day delivery, or by email followed by overnight next business day delivery, as follows:

To COCP: Cocrystal Pharma, Inc.
1860 Montreal Road
Tucker, Georgia 30084
Attention: Mr. Walt Linscott
Email: wlinscott@cocrystalpharma.com

To the Purchaser: The address set forth on the signature page attached hereto

or to such other address as any of them, by notice to the other may designate from time to time.

1 2 . **Attorney's Fees**. In the event that there is any controversy or claim arising out of or relating to this Agreement, or to the interpretation, breach or enforcement thereof, and any action or arbitration proceeding is commenced to enforce the provisions of this Agreement, the prevailing party shall be entitled to a reasonable attorney's fee, including the fees on appeal, costs and expenses.

1 3 . **Governing Law**. This Agreement and any dispute, disagreement, or issue of construction or interpretation arising hereunder whether relating to its execution, its validity, the obligations provided therein or performance shall be governed or interpreted according to the laws of the State of Delaware.

1 4 . **Oral Evidence**. This Agreement constitutes the entire Agreement between the parties and supersedes all prior oral and written agreements between the parties hereto with respect to the subject matter hereof. Neither this Agreement nor any provision hereof may be changed, waived, discharged or terminated orally, except by a statement in writing signed by the party or parties against whom enforcement or the change, waiver discharge or termination is sought.

15. **Assignment**. No Party hereto shall assign its rights or obligations under this Agreement without the prior written consent of the other Party.

1 6 . **Section Headings**. Section headings herein have been inserted for reference only and shall not be deemed to limit or otherwise affect, in any matter, or be deemed to interpret in whole or in part any of the terms or provisions of this Agreement.

FLORIDA LAW PROVIDES THAT WHEN SALES ARE MADE TO FIVE OR MORE PERSONS IN FLORIDA, ANY SALE MADE IN FLORIDA IS VOIDABLE BY THE PURCHASER WITHIN THREE DAYS AFTER THE FIRST TENDER OF CONSIDERATION IS MADE BY SUCH PURCHASER TO COCP, AN AGENT OF COCP OR AN ESCROW AGENT OR WITHIN THREE DAYS AFTER THE AVAILABILITY OF THAT PRIVILEGE IS COMMUNICATED TO SUCH PURCHASER, WHICHEVER OCCURS LATER. PAYMENTS FOR TERMINATED SUBSCRIPTIONS VOIDED BY PURCHASERS AS PROVIDED FOR IN THIS PARAGRAPH WILL BE PROMPTLY REFUNDED WITHOUT INTEREST. NOTICE SHOULD BE GIVEN TO COCP TO THE ATTENTION OF WALT LINSCOTT AT THE ADDRESS SET FORTH IN SECTION 11 OF THIS AGREEMENT.

[Signature Page Attached]

IN WITNESS WHEREOF the parties hereto have set their hand and seals as of the above date.

COCRYSTAL PHARMA, INC.:

By:
Walt Linscott,
General Counsel

PURCHASER:

By: ________________________________
(Print Name and Title)

Address:______________________________

____

Email:________________________________

Tax ID of Purchaser: ____________________

Amount Invested: $__________________ with the number of shares based upon the per share purchase price set forth in Section 1.

Exhibit A
(Cocrystal Wire Instructions)

Exhibit B

Accredited Investor Questionnaire

For Individual Investors Only:

(1) I am an accredited investor because I have an individual net worth, or my spouse and I have combined net worth, in excess of $1,000,000. For purposes of calculating net worth under this paragraph (1), (i) the primary residence shall not be included as an asset, (ii) to the extent that the indebtedness that is secured by the primary residence is in excess of the fair market value of the primary residence, the excess amount shall be included as a liability, and (iii) if the amount of outstanding indebtedness that is secured by the primary residence exceeds the amount outstanding 60 days prior to the execution of this Subscription Agreement, other than as a result of the acquisition of the primary residence, the amount of such excess shall be included as a liability.

(2a) I am an accredited investor because I had individual income (exclusive of any income attributable to my spouse) of more than $200,000 in the last two completed years and I reasonably expect to have an individual income in excess of $200,000 this year.

(2b) Alternatively, my spouse and I have joint income in excess of $300,000 in each applicable year.

(3) I am a director or executive officer of the Company.

Other Investors:

(4) The undersigned is one of the following: any bank as defined in Section 3(a)(2) of the Securities Act whether acting in its individual or fiduciary capacity; any broker or dealer registered pursuant to section 15 of the Securities Exchange Act of 1934; insurance company as defined in Section 2(13) of the Securities Act; investment company registered under the Investment Company Act of 1940 or a business development company as defined in Section 2(a)(48) of that Act; Small Business Investment Company licensed by the U.S. Small Business Administration under Section 301(c) or (d) of the Small Business Investment Act of 1958; any plan established and maintained by a state, its political subdivisions, or any agency or instrumentality of a state or its political subdivisions, for the benefit of its employees, if such plan has total assets in excess of $5,000,000; employee benefit plan within the meaning of Title I of the Employee Retirement Income Security Act of 1974, if the investment decision is made by a plan fiduciary, as defined in Section 3(21) of such Act, which is either a bank, savings and loan association, insurance company, or registered investment advisor, or if the employee benefit plan has total assets in excess of $5,000,000, or if a self-directed plan, with investment decisions made solely by persons that are accredited investors.

(5) The undersigned is a private business development company as defined in Section 202(a)(22) of the Investment Advisors Act of 1940.

(6) The undersigned is a organization described in Section 501(c)(3) of the Internal Revenue Code, corporation, Massachusetts or similar business trust or partnership, not formed for the specific purpose of acquiring the securities offered, with total assets in excess of $5,000,000.

(7) The undersigned is a trust, with total assets in excess of $5,000,000, not formed for the specific purpose of acquiring the securities offered, whose purchase is directed by a sophisticated person as described in Rule 506(b)(2)(ii) of the Securities Act.

(8) The undersigned is an entity in which all of the equity owners are accredited investors.

Exhibit 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

I, Jeffrey Meckler, certify that:

1. I have reviewed this annual report on Form 10-K 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: March 15, 2016
/s/ Jeffrey Meckler
Jeffrey Meckler
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

I, Curtis Dale, certify that:

1. I have reviewed this annual report on Form 10-K 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: March 15, 2016
/s/ Curtis Dale
Curtis Dale
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 annual report of Cocrystal Pharma, Inc. (the “Company”) on Form 10-K for the year ended December 31, 2015, as filed with the Securities and Exchange Commission on the date hereof, I, Jeffrey Meckler, certify, pursuant to 18 U.S.C. Sec.1350, as adopted pursuant to Sec.906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

1. The annual 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 annual report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Jeffrey Meckler
Jeffrey Meckler
Chief Executive Officer
(Principal Executive Officer)
Dated: March 15, 2016

In connection with the annual report of Cocrystal Pharma, Inc. (the “Company”) on Form 10-K for the year ended December 31, 2015, as filed with the Securities and Exchange Commission on the date hereof, I, Curtis Dale, certify, pursuant to 18 U.S.C. Sec.1350, as adopted pursuant to Sec.906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

1. The annual 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 annual report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Curtis Dale
Curtis Dale
Chief Financial Officer
(Principal Financial Officer)
Dated: March 15, 2016