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

FORM 10-Q

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

For the quarterly period ended September 30, 2020

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: 001-38418

COCRYSTAL PHARMA, INC.

(Exact name of registrant as specified in its charter)

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

Registrant's telephone number, including area code: **(786) 459-1831**

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 every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (Sec.232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes [X] No [ ]

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

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

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. [ ]

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

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	**Trading Symbol(s)**	**Name of each exchange on which registered**
Common Stock	COCP	The Nasdaq Stock Market LLC (The Nasdaq Capital Market)

As of November 13, 2020, the number of outstanding shares of the registrant's common stock, par value $0.001 per share, was 68,563,512.

COCRYSTAL PHARMA, INC.

FORM 10-Q FOR THE QUARTER ENDED SEPTEMBER 30, 2020

INDEX

Part I – FINANCIAL INFORMATION

COCRYSTAL PHARMA, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except per share data)

	September 30, 2020 (unaudited)	December 31, 2019
Assets		
Current assets:		
Cash	$ 31,781	$ 7,418
Restricted cash	50	50
Accounts receivable	581	644
Prepaid expenses and other current assets	487	169
Total current assets	32,899	8,281
Property and equipment, net	635	431
Deposits	46	50
Operating lease right-of-use assets, net (including $51 to related party)	544	677
Goodwill	19,092	19,092
Total assets	$ 53,216	$ 28,531
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable and accrued expenses	$ 2,350	$ 1,999
Current maturities of finance lease liabilities	40	103
Current maturities of operating lease liabilities (including $53 to related party)	188	177
Derivative liabilities	36	7
Total current liabilities	2,614	2,286
Long-term liabilities:		
Finance lease liabilities	44	14
Operating lease liabilities (including $0 to related party)	381	523
Total long-term liabilities	425	537
Total liabilities	3,039	2,823
Commitments and contingencies		
Stockholders' equity:		
Common stock, $0.001 par value; 100,000 shares authorized as of September 30, 2020 and December 31, 2019; 68,564 and 35,150 shares issued and outstanding as of September 30, 2020 and December 31, 2019, respectively	69	36
Additional paid-in capital	293,523	260,932
Accumulated deficit	(243,415)	(235,260)
Total stockholders' equity	50,177	25,708
Total liabilities and stockholders' equity	$ 53,216	$ 28,531

See accompanying notes to condensed consolidated financial statements.

COCRYSTAL PHARMA, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited)
(in thousands, except per share data)

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Revenues:				
Collaboration revenue	$ 489	$ 492	$ 1,504	$ 6,162
Operating expenses:				
Research and development	2,077	1,077	5,336	3,046
General and administrative	1,121	1,223	4,288	3,597
Total operating expenses	3,198	2,300	9,624	6,643
Loss from operations	(2,709)	(1,808)	(8,120)	(481)
Other income (expense):				
Interest expense, net	(2)	(5)	(6)	(16)
Change in fair value of derivative liabilities	41	33	(29)	173
Total other income (expense), net	39	28	(35)	157
Net loss	$ (2,670)	$ (1,780)	$ (8,155)	$ (324)
Net loss per common share:				
Loss per share, basic and diluted	$ (0.05)	$ (0.06)	$ (0.16)	$ (0.01)
Weighted average number of common shares outstanding, basic and diluted	57,555	31,621	50,491	31,201

See accompanying notes to condensed consolidated financial statements.

COCRYSTAL PHARMA, INC.

CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(unaudited)
(in thousands)

	Common Stock		Additional Paid-in	Accumulated	Total Stockholders'
	Shares	Amount	Capital	Deficit	Equity
Balance as of December 31, 2019	35,150	$ 36	$ 260,932	$ (235,260)	$ 25,708
Stock-based compensation	-	-	107	-	107
Sale of common stock, net of transaction costs	16,991	17	16,589	-	16,606
Net loss	-	-	-	(1,990)	(1,990)
Balance as of March 31, 2020	52,141	$ 53	$ 277,628	$ (237,250)	$ 40,431
Stock-based compensation	-	-	119	-	119
Net loss	-	-	-	(3,495)	(3,495)
Balance as of June 30, 2020	52,141	$ 53	$ 277,747	$ (240,745)	$ 37,055
Stock-based compensation	-	-	237	-	237
Sale of common stock, net of transaction costs	16,423	16	15,539	-	15,555
Net loss	-	-	-	(2,670)	(2,670)
Balance as of September 30, 2020	68,564	69	293,523	(243,415)	50,177

	Common Stock		Additional Paid-in	Accumulated	Total Stockholders'
	Shares	Amount	Capital	Deficit	Equity
Balance as of December 31, 2018	29,938	$ 30	$ 253,949	$ (187,091)	$ 66,888
Stock-based compensation	-	-	33	-	33
Sale of common stock, net of transaction costs	1,683	2	3,926	-	3,928
Net income	-	-	-	2,971	2,971
Balance as of March 31, 2019	31,621	$ 32	$ 257,908	$ (184,120)	$ 73,820
Stock-based compensation	-	-	113	-	113
Net loss	-	-	-	(1,515)	(1,515)
Balance as of June 30, 2019	31,621	$ 32	$ 258,021	$ (185,635)	$ 72,418
Stock-based compensation	-	-	107	-	107
Net loss	-	-	-	(1,780)	(1,780)
Balance as of September 30, 2019	31,621	$ 32	$ 258,128	$ (187,415)	$ 70,745

See accompanying notes to condensed consolidated financial statements.

COCRYSTAL PHARMA, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)
(in thousands)

	Nine months ended September 30,	
	2020	2019
Operating activities:		
Net loss	$ (8,155)	$ (324)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization expense	112	69
Amortization of right of use assets	133	114
Stock-based compensation	463	253
Payments on operating lease liabilities	(131)	(94)
Change in fair value of derivative liabilities	29	(173)
Changes in operating assets and liabilities:		
Accounts receivable	63	(768)
Prepaid expenses and other current assets	(318)	(10)
Deposits	4	(10)
Accounts payable and accrued expenses	351	613
Deferred rent	-	(3)
Net cash used in operating activities	(7,449)	(333)
Investing activities:		
Purchases of property and equipment	(239)	(144)
Net cash used in investing activities	(239)	(144)
Financing activities:		
Proceeds from issuance of common stock	32,161	3,928
Payments on finance lease liabilities	(110)	(159)
Net cash provided by financing activities	32,051	3,769
Net increase in cash and restricted cash	24,363	3,292
Cash and restricted cash at beginning of period	7,468	2,752
Cash and restricted cash at end of period	$ 31,831	$ 6,044
SUPPLEMENTAL DISCLOSURE OF NON-CASH FINANCING ACTIVITIES:		
Recognition of finance lease right-of-use asset and liability	$ 77	$ -
Recognition of operating lease right-of-use assets and operating lease liabilities upon adoption of ASC Topic 842, *Leases*	$ -	$ 833

See accompanying notes to condensed consolidated financial statements.

1. Organization and Business

Cocrystal Pharma, Inc. ("we", the "Company" or "Cocrystal"), a biopharmaceutical company incorporated in Delaware, has been developing novel technologies and approaches to create first-in-class or 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 inhibiting viral replication, we plan to leverage our infrastructure and expertise in these areas.

The Company's activities since inception have principally consisted of acquiring product and technology rights, raising capital, performing research and development and conducting clinical trials. Successful completion of the Company's development programs, obtaining regulatory approvals of its products and, ultimately, the attainment of profitable operations is dependent on future events, including, among other things, its ability to access potential markets, secure financing, develop a customer base, attract, retain and motivate qualified personnel, and develop strategic alliances. Through September 30, 2020, the Company has primarily funded its operations through equity offerings and strategic partnerships, including collaboration with Merck Sharp & Dohme Corp. ("Merck").

2. Basis of Presentation and Significant Accounting Policies

Basis of Presentation

The accompanying condensed consolidated financial statements have been prepared in accordance with United States generally accepted accounting principles ("U.S. GAAP") for interim financial information, the instructions to Form 10-Q and Article 10 of Regulation S-X set forth by the Securities and Exchange Commission ("SEC"). They do not include all of the information and notes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. The results of operations for the interim periods presented are not necessarily indicative of the results of operations for the entire fiscal year. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's annual report on Form 10-K for the year ended December 31, 2019 filed on March 27, 2020 ("Annual Report").

Principles of Consolidation

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

Segments

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

Use of Estimates

Preparation of the Company's consolidated financial statements in conformance with U.S. GAAP requires the Company's management to make estimates and assumptions that impact the reported amounts of assets, liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities in the Company's consolidated financial statements and accompanying notes. The significant estimates in the Company's consolidated financial statements relate to the valuation of equity awards and derivative liabilities, recoverability of deferred tax assets, estimated useful lives of fixed assets, and forecast assumptions used in the valuation of intangible assets and goodwill. The Company bases estimates and assumptions on historical experience, when available, and on various factors that it believes to be reasonable under the circumstances. However, if future results are not consistent with our estimates and assumptions, including as a result of the COVID-19 global pandemic, then we may be exposed to an impairment charge, which could be material. The Company evaluates its estimates and assumptions on an ongoing basis, and its actual results may differ from estimates made under different assumptions or conditions.

Concentrations of Credit Risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist primarily of cash deposited in accounts held at two U.S. financial institutions, which may, at times, exceed federally insured limits of $250,000 for each institution accounts are held. At September 30, 2020 and December 31, 2019, our primary operating account held approximately $31,781,000 and $7,418,000, respectively, and our collateral account balance was $50,000 at a different institution. The Company has not experienced any losses in such accounts and believes it is not exposed to significant risks thereof.

As of September 30, 2020, 100% of our revenue and receivables are from one customer, Merck Sharp & Dohme Corp.

Fair Value Measurements

FASB Accounting Standards Codification ("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 categorizes its cash and restricted cash as Level 1 fair value measurements. The Company categorizes its warrants potentially settleable in cash as Level 2 fair value measurements. The warrants potentially settleable in cash are measured at fair value on a recurring basis and are being marked to fair value at each reporting date until they are completely settled or meet the requirements to be accounted for as component of stockholders' equity. The warrants are valued using the Black-Scholes option pricing model as discussed in Note 7 – Warrants.

At September 30, 2020 and December 31, 2019, the carrying amounts of financial assets and liabilities, such as cash, accounts receivable, other assets, and accounts payable and accrued expenses approximate their fair values due to their short-term nature. The carrying values of notes payable and lease liabilities approximate their fair values due to the fact that the interest rates on these obligations are based on prevailing market interest rates.

The Company's derivative liabilities are considered Level 2 measurements.

Goodwill

In November 2014, goodwill was recorded in connection with the acquisition of RFS Pharma.

We evaluate indefinite-lived intangible assets and goodwill for impairment annually, as of November 30, or more frequently when events or circumstances indicate that impairment may have occurred. As part of the impairment evaluation, we may elect to perform an assessment of qualitative factors. If this qualitative assessment indicates that it is more likely than not that the fair value of the indefinite-lived intangible asset or the reporting unit (for goodwill) is less than its carrying value, we then would proceed with the quantitative impairment test to compare the fair value to the carrying value and record an impairment charge if the carrying value exceeds the fair value.

Fair value is typically estimated using an income approach based on the present value of future discounted cash flows. The significant estimates in the discounted cash flow model primarily include the discount rate, and rates of future revenue and expense growth and/or profitability of the acquired assets. In performing the impairment test, 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's product candidates.

At September 30, 2020, the Company had goodwill of $19,092,000. The Company previously completed its annual impairment test in November 2019, and at that time determined the fair value of its reporting unit, under both the Company's Nasdaq market capitalization and an income approach analysis; both methods were less than the carrying value as of December 31, 2019; therefore, management considered goodwill to be impaired. This resulted in a $46,103,000 impairment in 2019. The Company plans to conduct its next annual impairment test in November 2020.

Based on management's assessment on September 30, 2020, no further impairment of Goodwill is required.

Long-Lived Assets

The Company regularly reviews the carrying value and estimated lives 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.

Research and Development Expenses

All research and development costs are expensed as incurred.

Revenue Recognition

The Company recognizes revenue from research and development arrangements. In accordance with Accounting Standards Codification ("ASC") Topic 606-*Revenue from Contracts with Customers* ("Topic 606"), revenue is recognized when a customer obtains control of promised goods or services. The amount of revenue recognized reflects the consideration to which the Company expects to be entitled to receive in exchange for these goods and services.

In November 2018, the FASB issued ASU 2018-18, *Collaborative Arrangements (Topic 808): Clarifying the Interaction between Topic 808 and Topic 606*. This ASU provides guidance on whether certain transactions between collaborative arrangement participants should be accounted for as revenue under Topic 606 when the collaborative arrangement participant is a customer in the context of a unit of account. Accordingly, this amendment added unit of account guidance in Topic 606 when an entity is assessing whether the collaborative arrangement, or a part of the arrangement, is within the scope of Topic 606. In addition, the amendment provides certain guidance on presenting the collaborative arrangement transaction together with Topic 606.

On January 2, 2019, the Company entered into an Exclusive License and Research Collaboration Agreement (the "Collaboration Agreement") with Merck to discover and develop certain proprietary influenza A/B antiviral agents. Under the terms of the Collaboration Agreement, Merck will fund research and development for the program, including clinical development, and will be responsible for worldwide commercialization of any products derived from the collaboration.

Revenue recorded for the three and nine months ended September 30, 2020 was $489,000 and $1,504,000 respectively, compared with $492,000 and $6,162,000 for the three and nine months ended September 30, 2019, respectively. As of September 30, 2020, accounts receivable of $581,000 was due from Merck.

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.

As of September 30, 2020, the Company assessed its income tax expense based on its projected future taxable income for the year ended December 31, 2020 and therefore recorded no amount for income tax expense for the nine months ended September 30, 2020. In addition, the Company has significant deferred tax assets available to offset income tax expense due to net operating loss carry forwards which are currently subject to a full valuation allowance based on the Company's assessment of future taxable income. Refer to our Annual Report on Form 10-K for the year ended December 31, 2019 for more information.

Franchise Taxes

As of June 30, 2020, the Company amended its franchise tax filed for 2018 period, which the result is a credit balance of $126,000. The Company recognized $51,000 as expense for the period from January 1, 2020 through September 30, 2020; the balance of $75,000 is recorded as prepaid expense to be amortized until September 30, 2021. Franchise taxes are included in the general and administrative expenses.

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 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 a blend of its own historical stock price volatility as well as that of 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 Estimating Expected Term.* The risk-free interest rate is estimated using comparable published federal funds rates.

Share Issuance Costs

The Company accounts for direct and incremental costs related to the issuance of its capital stock as a reduction in the proceeds from such issuances. In the case, the Company incurs certain expenses related to the offering of equity security, the Company complies with the requirements of FASB 340-10-S99-1with regards to offering costs.

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 freestanding derivatives at each reporting date to determine whether a change in classification between assets and liabilities is required.

Net Income (Loss) per Share

The Company accounts for and discloses net income (loss) per common share in accordance with FASB ASC Topic 260,*Earnings Per Share.* Basic income (loss) per common share is computed by dividing income (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 and the conversion of convertible notes payable.

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

	September 30,	
	2020	2019
Outstanding options to purchase common stock	1,801	931
Warrants to purchase common stock	243	243
Total	2,044	1,174

Recent Accounting Pronouncements

In August 2020, the FASB issued ASU No. 2020-06 ("ASU 2020-06") *"Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity's Own Equity."* ASU 2020-06 will simplify the accounting for convertible instruments by reducing the number of accounting models for convertible debt instruments and convertible preferred stock. Limiting the accounting models will result in fewer embedded conversion features being separately recognized from the host contract as compared with current GAAP. Convertible instruments that continue to be subject to separation models are (1) those with embedded conversion features that are not clearly and closely related to the host contract, that meet the definition of a derivative, and that do not qualify for a scope exception from derivative accounting and (2) convertible debt instruments issued with substantial premiums for which the premiums are recorded as paid-in capital. ASU 2020-06 also amends the guidance for the derivatives scope exception for contracts in an entity's own equity to reduce form-over-substance-based accounting conclusions. ASU 2020-06 will be effective January 1, 2024, for the Company. Early adoption is permitted, but no earlier than January 1, 2021, including interim periods within that year. Management is currently evaluating the effect of the adoption of ASU 2020-06 on the consolidated financial statements, but currently does not believe ASU 2020-06 will have a significant impact on the Company's accounting for its convertible debt instruments as they are not considered indexed to the Company's own stock. The effect will largely depend on the composition and terms of the financial instruments at the time of adoption.

In June 2016, the FASB issued ASU No. 2016-13, Credit Losses - Measurement of Credit Losses on Financial Instruments ("ASC 326"). The standard significantly changes how entities will measure credit losses for most financial assets, including accounts and notes receivables. The standard will replace today's "incurred loss" approach with an "expected loss" model, under which companies will recognize allowances based on expected rather than incurred losses. Entities will apply the standard's provisions as a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is effective. The standard is effective for interim and annual reporting periods beginning after December 15, 2019. The adoption of ASU 2016-13 is not expected to have a material impact on the Company's financial position, results of operations, and cash flows.

Other recent authoritative guidance issued by the FASB (including technical corrections to the ASC), the American Institute of Certified Public Accountants, and the Securities and Exchange Commission ("SEC") did not, or are not expected to, have a material impact on the Company's consolidated financial statements and related disclosures.

3. Property and Equipment

Property and equipment are recorded at cost and depreciated over the estimated useful lives of the underlying assets (three to five years) using the straight-line method. As of September 30, 2020, and December 31, 2019, property and equipment consists of (in thousands):

	September 30, 2020	December 31, 2019
Lab equipment	$ 1,498	$ 1,073
Finance lease right-of-use lab equipment obtained in exchange for finance lease liabilities	119	347
Computer and office equipment	120	92
Total property and equipment	1,737	1,512
Less: accumulated depreciation and amortization	(1,102)	(1,081)
Property and equipment, net	$ 635	$ 431

Total depreciation and amortization expense was $44,000 and $112,000 for the three and nine months ended September 30, 2020, which includes amortization expense of $6,000 and $38,000 related to finance lease right-of-use lab equipment, respectively. For additional finance leases information, refer to Note 9 – Commitments and Contingencies.

4. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consisted of the following (in thousands) as of:

	September 30, 2020	December 31, 2019
Accounts payable	$ 1,485	$ 1,511
Accrued compensation	183	83
Accrued other expenses	682	405
Total accounts payable and accrued expenses	$ 2,350	$ 1,999

Accounts payable and accrued other expenses contain unpaid general and administrative expenses and costs related to research and development that have been billed and estimated unbilled, respectively, as of period-end.

5. Common Stock

As of September 30, 2020, the Company has authorized 100,000,000 shares of common stock, $0.001 par value per share. The Company had 68,563,512 and 35,150,000 shares issued and outstanding as of September 30, 2020 and December 31, 2019, respectively.

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

On January 29, 2020, the Company entered into a securities purchase agreement with certain institutional investors, pursuant to which the Company agreed to sell and issue, in a registered direct offering, 3,492,063 shares of common stock at a purchase price per share of $0.63 for aggregate net proceeds to the Company of approximately $1.5 million, after deducting fees payable to the placement agent and other estimated offering expenses payable by the Company. The Company closed the offering on January 31, 2020.

On February 27, 2020, the Company entered into a securities purchase agreement with certain institutional investors, pursuant to which the Company agreed to sell and issue, in a registered direct offering, 8,461,540 shares of common stock at a purchase price per share of $1.30 for aggregate net proceeds to the Company of approximately $10.1 million, after deducting fees payable to the placement agent and other estimated offering expenses payable by the Company. The Company closed the offering on February 28, 2020.

On March 9, 2020, the Company entered into a securities purchase agreement with certain institutional investors, pursuant to which the Company agreed to sell and issue, in a registered direct offering, 5,037,038 shares of common stock at a purchase price per share of $1.35 for aggregate net proceeds to the Company of approximately $5.0 million, after deducting fees payable to the placement agent, lock-up settlement fee and other estimated offering expenses payable by the Company. The Company closed the offering on March 10, 2020.

On June 2, 2020, the Company provided written notice to A.G.P./Alliance Global Partners ("AGP") of its election to terminate the Amended and Restated Equity Distribution Agreement, dated October 30, 2019, by and between the Company and AGP, as amended on January 29, 2020 (the "AGP Agreement"). The termination of the AGP Agreement was effective June 3, 2020.

On July 1, 2020, the Company entered into an At-The-Market Offering Agreement with H.C. Wainwright & Co., LLC ("Wainwright"), pursuant to which the Company may issue and sell over time and from time to time, to or through Wainwright, up to $10,000,000 of shares of the Company's common stock. The Company has not sold any shares pursuant to this ATM during the nine months ended September 30, 2020.

On August 31, 2020, the Company closed an underwritten public offering of its common stock totaling 16,422,813 shares at public offering price of $1.05 per share sold to Wainwright for net proceeds of approximately $15.6 million, after deducting fees payable to the placement agent and other offering expenses payable by the Company. The 16,422,813 shares of common stock sold in the offering includes 2,137,098 shares pursuant to Wainwright's partial exercise of its over-allotment option to purchase additional shares of common stock, pursuant to the Amended and Restated Underwriting Agreement, dated as of August 26, 2020, between the Company and Wainwright.

6. Stock Based Awards

Equity Incentive Plans

The Company adopted an equity incentive plan in 2007 (the "2007 Plan") under which 1,786,635 shares of common stock had been reserved for issuance to employees and nonemployee directors and consultants of the Company. The Company no longer issues any awards under the 2007 Plan. Holders of outstanding incentive stock options granted under the 2007 Plan are eligible to purchase shares of the Company's common stock at an exercise price equal to no less than the fair market value of such stock on the date of grant. The maximum term of options granted under the 2007 Plan was ten years.

The Company adopted a second equity incentive plan in 2015 (the "2015 Plan") under which 2,705,237 (including 1,038,570 initially transferred from the 2007 Plan) shares of common stock have been reserved for issuance to employees, and nonemployee directors and consultants of the Company. Recipients of incentive stock options granted under the 2015 Plan 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. As of September 30, 2020, 2,718,020 options remain available for future grants under the 2015 Plan.

The following table summarizes stock option transactions for the 2007 Plan and 2015 Plan, collectively, for the nine months ended September 30, 2020 (in thousands, except per share amounts):

	Number of Shares Available for Grant	Total Options Outstanding	Weighted Average Exercise Price	Aggregate Intrinsic Value
Balance at December 31, 2019	3,588	931	$ 4.14	$ -
Exercised	-	-	-	-
Granted	(878)	878	1.33	_
Cancelled	8	(8)	2.94	-
Balance at September 30, 2020	2,718	1,801	2.78	_

The Company accounts for share-based awards to employees and nonemployee directors and consultants in accordance with the provisions of ASC 718,*Compensation—Stock Compensation.*, and under the recently issued guidance following FASB's pronouncement, ASU 2018-07, *Compensation—Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting.* Under ASC 718, and applicable updates adopted, share-based awards are valued at fair value on the date of grant and that fair value is recognized over the requisite service, or vesting, period. The Company values its equity awards using the Black-Scholes option pricing model, and accounts for forfeitures when they occur. For the three and nine months ended September 30, 2020 and 2019, equity-based compensation expense recorded was $237,000 and $463,000, and $108,000 and $253,000, respectively.

During the nine months ended September 30, 2020 the Company granted stock options to officers, directors, employees and consultants to purchase a total of 878,000 shares of common stock. The options have an exercise price of $1.33 per share, expire in ten years, and vest as follows: one half vests on the one year anniversary of the grant date and the remainder will vest in eight equal quarterly increments with the first such quarterly increment vesting on September 30, 2021. The total fair value of these options at the grant date was approximately $944,000 using the Black-Scholes Option pricing model.

The fair value of share option award is estimated using the Black-Scholes option pricing method based on the following weighted-average assumptions:

	Nine Months Ended September 30,	
	2020	**2019**
Risk-free interest rate	0.43%	2.99%
Average expected term (years)	5.9	6.1
Expected volatility	107.45%	90.00%
Expected dividend yield	0.00	0.00

The risk-free interest rate is based on the U.S. Treasury yield curve in effect at the time of measurement corresponding with the expected term of the share option award; the expected term represents the weighted-average period of time that share option awards granted are expected to be outstanding giving consideration to vesting schedules and historical participant exercise behavior; the expected volatility is based upon historical volatility of the Company's common stock; and the expected dividend yield is based on the fact that the Company has not paid dividends in the past and does not expect to pay dividends in the future.

As of September 30, 2020, there was approximately $1,661,000 of total unrecognized compensation expense related to non-vested stock options that is expected to be recognized over a weighted average period of 8.5 years. For options granted and outstanding, there were 515,564 options outstanding which were fully vested or expected to vest, with an aggregate intrinsic value of $0, a weighted average exercise price of $2.77, and weighted average remaining contractual term of 6.8 years at September 30, 2020. For vested and exercisable options, outstanding shares totaled 515,564, with an aggregate intrinsic value of $0. These options had a weighted average exercise price of $5.24 per share and a weighted-average remaining contractual term of 6.8 years at September 30, 2020.

The aggregate intrinsic value of outstanding and exercisable options at September 30, 2020 was calculated based on the closing price of the Company's common stock as reported on The Nasdaq Capital Market on September 30, 2020 of $0.93 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 presents information concerning common stock available for future issuance (in thousands) as of:

	September 30, 2020	September 30, 2019
Stock options issued and outstanding	1,801	931
Shares authorized for future option grants	2,718	3,588
Warrants outstanding	243	243
Total	4,762	4,762

7. Warrants

The following is a summary of activity in the number of warrants outstanding to purchase the Company's common stock for the nine months ended September 30, 2020 (in thousands):

	Warrants Accounted for as: Equity	Warrants Accounted for as: Liabilities		
	May 2018 Warrants	October 2013 Warrants	January 2014 Warrants	Total
Outstanding, December 31, 2019	84	26	133	243
Exercised	-	-	-	-
Granted	-	-	-	-
Expired	-	-	-	-
Outstanding, September 30, 2020	84	26	133	243
Expiration date:	October 27, 2022	October 24, 2023	January 16, 2024	

The following is a summary of activity in the number of warrants outstanding to purchase the Company's common stock for the nine months ended September 30, 2019 (in thousands):

	Warrants Accounted for as: Equity	Warrants Accounted for as: Liabilities		
	May 2018 Warrants	October 2013 Warrants	January 2014 Warrants	Total
Outstanding, December 31, 2018	84	26	133	243
Exercised	-	-	-	-
Granted	-	-	-	-
Expired	-	-	-	-
Outstanding, September 30, 2019	84	26	133	243
Expiration date:	October 27, 2022	October 24, 2023	January 16, 2024	

Warrants Classified as Liabilities

Liability-classified warrants consist of warrants issued by Biozone in connection with equity financings in October 2013 and January 2014, which were assumed by the Company in connection with its merger with Biozone in January 2014. Warrants accounted for as liabilities have the potential to be settled in cash or are not indexed to the Company's own stock.

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 condensed consolidated statement of operations as changes in fair value of derivative liabilities.

The fair value of the warrants classified as liabilities is estimated using the Black-Scholes option-pricing model with the following inputs as of September 30, 2020:

	October 2013 Warrants	January 2014 Warrants
Strike price	$ 15.00	$ 15.00
Expected dividend yield	0.00%	0.00%
Contractual term (years)	3.1	3.3
Cumulative volatility	116.46%	114.97%
Risk-free rate	0.15%	0.17%
Value	$ 0.21	$ 0.23

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, 2019:

	October 2013 Warrants	January 2014 Warrants
Strike price	$ 15.00	$ 15.00
Expected dividend yield	0.00%	0.00%
Contractual term (years)	3.8	4.0
Cumulative volatility	89.59%	90.58%
Risk-free rate	1.67%	1.68%
Value	$ 0.04	$ 0.05

The Company estimates volatility using a blend of its own historical stock price volatility as well as that of market comparable entities since the Company's common stock has limited trading history and limited observable volatility of its own. 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.

8. Licenses and Collaborations

Merck

On January 2, 2019, the Company entered into an Exclusive License and Research Collaboration Agreement (the "Collaboration Agreement") with Merck to discover and develop certain proprietary influenza A/B antiviral agents. Under the terms of the Collaboration Agreement, Merck funds research and development for the program, including clinical development, and will be responsible for worldwide commercialization of any products derived from the collaboration. Cocrystal received an upfront payment of $4,000,000 in 2019 and is eligible to receive payments related to designated development, regulatory and sales milestones with the potential to earn up to $156,000,000, as well as royalties on product sales. Merck can terminate the Collaboration Agreement at any time prior to the first commercial sale of the first product developed under the Collaboration Agreement, in its sole discretion, without cause.

The Company recognized $1,504,000 in revenues on the condensed consolidated statement of operations for the nine months ended September 30, 2020 related to influenza A/B program research and development expenses for the first nine months of 2020.

Kansas State University Research Foundation

Cocrystal entered into a License Agreement with Kansas State University Research Foundation ("KSURF") on February 18, 2020 to further develop certain proprietary broad-spectrum antiviral compounds for the treatment of Norovirus and Coronavirus infections.

Pursuant to the terms of the License Agreement, KSURF granted the Company an exclusive royalty bearing license to practice under certain patent rights, under patent applications covering antivirals against coronaviruses, caliciviruses, and picornaviruses, and related know-how, including to make and sell therapeutic, diagnostic and prophylactic products.

The Company agreed to pay KSURF a one-time non-refundable license initiation fee of $80,000 under the License Agreement, and annual license maintenance fees. The Company also agreed to make certain future milestone payments, dependent upon the progress of clinical trials, regulatory approvals, and initiation of commercial sales in the United States and certain countries outside the United States.

On April 19, 2020, the Company entered into a second License Agreement with KSURF in addition to the License Agreement entered into in February 2020.

Pursuant to the terms of the second License Agreement, KSURF granted the Company an exclusive royalty bearing license to practice under certain patent rights under patent applications covering antivirals against coronaviruses, caliciviruses, and picornaviruses, and related know-how, including to make and sell therapeutic, diagnostic and prophylactic products.

The Company agreed to pay KSURF a one-time non-refundable license initiation fee and annual license maintenance fees. The Company also agreed to make certain future milestone payments, dependent upon the progress of clinical trials, regulatory approvals, and initiation of commercial sales in the United States and certain countries outside the United States.

9. Commitments and Contingencies

Commitments

In the ordinary course of business, the Company enters into non-cancelable leases to purchase equipment and for its facilities, including related party leases (see Note 10 – Transactions with Related Parties). Leases are accounted for as operating leases or finance leases, in accordance with ASC 842, *Leases*.

Operating Leases

The Company leases office space in Miami, Florida and laboratory space in Bothell, Washington under operating leases that expire on August 31, 2021 and January 31, 2024, respectively. The Company recently signed an amendment to the Bothell, Washington lease agreement by extending the lease term for a period of sixty months from February 2019 through January 2024. For operating leases, the weighted average discount rate is 8.0% and the weighted average remaining lease term is 3.1 years.

The following table summarizes the Company's maturities of operating lease liabilities, by year and in aggregate, as of September 30, 2020 (in thousands):

2020 (excluding the nine months ended September 30, 2020)	$ 57
2021	213
2022	178
2023	183
Thereafter	15
Total operating lease payments	646
Less: present value discount	(77)
Total operating lease liabilities	$ 569

The operating lease liabilities summarized above do not include variable common area maintenance (CAM) charges, which are contractual liabilities under the Company's Bothell, Washington lease. CAM charges for the Bothell, Washington facility are calculated annually based on actual common expenses for the building incurred by the lessor and proportionately billed to tenants based on leased square footage. For the nine months ended September 30, 2020 and 2019, approximately $54,000 and $60,000 of variable lease expense (CAM) was included in general and administrative operating expenses on the condensed consolidated statements of operations.

The minimum lease payments above include the amounts that would be paid if the Company maintains its Bothell lease for the five-year term, starting February 2019. The Company has the right to terminate this lease after three years on January 31, 2022, by giving prior notice at least nine months before the early termination date and by paying a termination fee equal to the sum of unamortized leasing commissions and reimbursement for tenant improvements provided by the landlord amortized at 8.0% over the extended term.

On September 1, 2018, the Company entered into a lease agreement with a limited liability company controlled by Dr. Phillip Frost, a director and a principal shareholder of the Company (see Note 10 – Transactions with Related Parties). The lease term is three years with an optional three-year extension. On an annualized basis, straight-line rent expense is approximately $58,000, including fixed and estimable fees and taxes. As of September 30, 2020, operating lease rights include $51,000 and operating lease liabilities include $53,000 relating to this lease.

For the nine months ended September 30, 2020 and 2019, operating lease expense, excluding short-term leases, finance leases and CAM charges, totaled approximately $171,000 and $169,000, respectively, of which $44,000 and $43,000 in each period was to a related party.

Finance Leases

In November 2018, the Company entered into two lease agreements to acquire lab equipment with 18 monthly payments of $18,000 payable through May 27, 2020 and 36 monthly payments of $1,000 payable through November 21, 2021, respectively; in September 2020 the Company entered into a new lease agreement to acquire lab equipment with 36 payments of $2,000 monthly payable through April 16, 2023. For finance leases, the weighted average discount rate is 8.0% and the weighted average remaining lease term is 3.4 years.

The following table summarizes the Company's maturities of finance lease liabilities, by year and in aggregate, as of September 30, 2020 (in thousands):

2020 (excluding the nine months ended September 30, 2020)	$	11
2021		44
2022		29
2023		7
Total finance lease payments		91
Less: present value discount		(7)
Total finance lease liabilities	$	84

The leased lab equipment is depreciable over five years and is presented net of accumulated depreciation on the condensed consolidated balance sheets under property and equipment. As of September 30, 2020, total right-of-use lab equipment and accumulated depreciation recognized under finance leases is $119,000 and $21,000, respectively, and depreciation expense for the nine months ended September 30, 2020 was $38,000. As of December 31, 2019, total right-of-use assets lab equipment exchanged for finance lease liabilities was $347,000 and accumulated depreciation for lab equipment under finance leases was $75,000.

At September 30, 2020, the aggregate outstanding balance of finance lease liabilities, current and long-term, is $84,000 and the Company expects to pay future interest charges of $7,000 over the remaining finance lease terms. At December 31, 2019, the aggregate outstanding balance of finance lease liabilities, current and long-term, was $117,000 and the Company expects to pay future interest charges of $4,000 over the remaining finance lease terms. For the nine months ended September 30, 2020, the Company paid $107,000 and $6,000 in principal and interest, respectively, totaling financing cash out flows of $113,000, net of interest expense, for amount included in the measurement of lease liabilities for finance leases. For the nine months ended September 30, 2019, the Company paid $159,000 and $16,000 in principal and interest, respectively, totaling financing cash out flows of $175,000 for amounts included in the measurement of lease liabilities for finance leases and added back to net income the $16,000 of interest expense under cash flows from operating activities.

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.

On September 20, 2018, Anthony Pepe, individually and on behalf of a class, filed with the United States District Court for the District of New Jersey a complaint against the Company, certain current and former executive officers and directors of the Company and the other defendants named therein for violation of Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder. The class consists of the persons and entities who purchased the Company's common stock during the period from September 23, 2013 through September 7, 2018. Pepe also alleges violation of other sections of the Exchange Act by the defendants named in the complaint other than the Company. Pepe seeks damages, pre-judgment and post-judgment interest, reasonable attorneys' fees, expert fees and other costs.

On January 16, 2019, Ms. Susan Church, a stockholder of the Company, filed with the United States District Court for the Western District of Washington a derivative suit against certain current and former executive officers and directors of the Company alleging breach of fiduciary duties, unjust enrichment, waste of corporate assets, and violations of the rules governing proxy solicitation. Church seeks, among other things, money damages, disgorgement of profits from alleged wrongful conduct, including cash bonuses, pre-judgment and post-judgment interest, reasonable attorneys' fees, expert fees and other costs.

On July 2, 2020, the Company negotiated and executed term sheets with respect to the proposed settlement of the class action, the derivative lawsuit discussed above, and two related derivative actions. The term sheets are subject to approval by the court. As of September 30, 2020, the Company agreed to pay $450,000 for its share of the total proposed class action settlement. The final settlement hearing for the class action and derivative lawsuits is scheduled for December 16, 2020.

As for the settlement of the derivative lawsuits, the Company agreed to make certain corporate governance changes. On September 22, 2020, United States District Court for the District of New Jersey, where one of the derivative actions was pending, entered an order preliminarily approving the Stipulation and Agreement of Settlement, dated August 20, 2020 (the "Stipulation") by and among the plaintiffs in the derivative actions, the Company as the nominal defendant, and defendants, including certain of the Company's current and former directors and officers. The settlement as documented in the Stipulation covers all three derivative actions and is subject to the approval of the Court. The proposed settlement requires that certain defendants named in the Stipulation, other than the Company, pay the plaintiffs' attorneys' fees and expenses in the amount of $275,000, and that the Company adopt within 60 days of the final approval of the settlement by the Court certain corporate governance enhancements.

Liberty Insurance Underwriters Inc. filed suit against us in federal court in Delaware seeking a declaratory judgment that it is not liable to defend us in the class and derivative litigation. The insurance company also is claiming it is entitled to recover $1 million it advanced to us in connection with a prior SEC investigation, of which the Company disagrees with the insurance company position. We have retained counsel to defend us which has filed an answer to the complaint.

In November 2017, Lee Pederson, a former Biozone lawyer, filed a lawsuit in the U.S. District Court in Minnesota against co-defendants the Company, Dr. Phillip Frost, OPKO Health, Inc. and Brian Keller alleging that defendants engaged in wrongful conduct related to Biozone, including causing Biozone to enter into an allegedly improper licensing agreement and engaged in alleged market manipulation. On September 13, 2018, the United States District Court granted the Company and its co-defendants' motion to dismiss Pederson's amended complaint for lack of personal jurisdiction in Minnesota. On October 11, 2018, Pederson filed a notice of appeal with the United States Court of Appeals for the Eighth Circuit. The plaintiff's appeal was denied and the dismissal affirmed. In July 2019, Lee Pederson filed another lawsuit in the U.S. District Court in Minnesota against co-defendants the Company, Dr. Frost, and Daniel Fisher. In his complaint, Pederson alleges tortious interference by the Company and Dr. Frost with an alleged collaboration agreement between Mr. Pederson and Mr. Fisher. Mr. Pederson seeks damages in the amount of $800,000 or such other amount as may be determined at trial. This lawsuit had previously been stayed by the court, pending disposition of Pederson's first lawsuit. With that first lawsuit having been dismissed and appeal denied, the stay was lifted, and the Company was served in July 2020 with the complaint initiating that second lawsuit. The Company is reviewing the complaint with counsel. On October 14, 2020, the Company and co-defendants' motions for, among other things, dismissal for lack of personal jurisdiction in that second lawsuit were heard by the court, and the Company and co-defendants are awaiting a ruling from the trial court.

On May 19, 2020, A.G.P./Alliance Global Partners ("AGP"), which had previously acted as the Company's underwriter, placement agent and sales agent in connection with the Company's registered and exempt equity offerings, filed a lawsuit against the Company in the United States District Court for the Southern District of New York alleging violation of a lock-up provision under the Placement Agent Agreement, dated January 28, 2020 (the "Placement Agent Agreement"), by and between the Company and AGP. AGP seeks (i) damages estimated in the complaint to be in excess of $1 million and attorneys' fees, and (ii) declaratory relief. The Company has filed a motion to dismiss the complaint.

While the Company intends to defend itself vigorously from the claims in the aforementioned disputes, it is unable to predict the outcome of these legal proceedings. Any potential loss as a result of these legal proceedings cannot be reasonably estimated. As a result, the Company has not recorded a loss contingency for any of the aforementioned claims.

COVID-19

Our administrative and finance activities are fully functional out of our Miami, Florida location and our research laboratory in Bothell, Washington remains open for essential operations while meeting COVID-19 quarantine challenges. Our scientists are also able to continue working on site and remotely and we remain committed to meeting our corporate and development milestones throughout the year. We have experienced delays in our supply chain and with service partners as a result of the COVID-19 pandemic. Also because of the unknown impact from the COVID-19 pandemic, it may have unanticipated material adverse effects on us in a number of ways including:

- If our scientists and other personnel (or their family members) are infected with the virus, it may hamper our ability to engage in ongoing research activities;
- Similarly, we rely on third parties who can be similarly impacted;
- If these third parties are affected by COVID-19, they may focus on other activities which they may devote their limited time to other priorities rather than to our joint research;
- We may experience a shortage of laboratory materials which would impact our research activities;
- As a result of the continuing impact of the virus, we may fail to get access to third party laboratories which would impact our research activities; and
- We may sustain problems due to the serious short-term and possible longer term serious economic disruptions as our economy faces unprecedented uncertainty.

10. Transactions with Related Parties

In September 2018, the Company leased administrative offices from a limited liability company owned by one of the Company's directors and principal shareholder, Dr. Phillip Frost. The operating lease term is three years with an optional three-year extension. On an annualized basis, straight-line lease expense, including taxes and fees, for this location is approximately $58,000. In September 2018, the Company paid a lease deposit of $4,000 and total amounts paid in connection with this operating lease were $44,000 and $42,000 for the nine months ended September 30, 2020 and 2019, respectively.

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

Overview

Cocrystal Pharma, Inc. (the "Company" or "Cocrystal") is a clinical stage biotechnology company seeking to discover and develop novel antiviral therapeutics as treatments for serious and/or chronic viral diseases. We employ unique structure-based technologies and Nobel Prize winning expertise to create first- and best-in-class antiviral drugs. These technologies are designed to efficiently deliver small molecule therapeutics that are safe, effective and convenient to administer. We have identified promising preclinical and early clinical stage antiviral compounds for unmet medical needs including Influenza Virus, Coronavirus, Hepatitis C virus ("HCV"), and Norovirus infections.

Impact of COVID-19 Pandemic

A novel strain of coronavirus which causes COVID-19 continues to spread and severely impact the economy of the United States and other countries around the world. We are committed to being a part of the coordinated public and private sector response to this unprecedented challenge.

We have put preparedness plans in place at our facilities to maintain continuity of operations, while also taking steps to keep visitors and employees healthy and safe. In line with recommendations to reduce large gatherings and increase social distancing, we have, where practical, transitioned many office-based colleagues to a remote work environment.

The consequences of the COVID-19 pandemic and the impact on the national and global economy continues to evolve and the full extent of the impact is uncertain as of the date of this filing.

Research and Development Update

During the nine months ended September 30, 2020, the Company focused its research and development efforts primarily in four areas:

Influenza Programs

Merck Collaboration - Influenza A/B: On January 2, 2019, we entered into an Exclusive License and Research Collaboration Agreement (the "Collaboration Agreement") with Merck Sharp & Dohme Corp. ("Merck") to discover and develop certain proprietary influenza A/B antiviral agents.

Under the terms of the Collaboration Agreement, Merck is funding research and development for the program at Cocrystal and Merck, including clinical development at Merck, and Merck is responsible for worldwide commercialization of any products derived from the collaboration. The Company received an upfront payment of $4,000,000 and is eligible to receive milestone payments related to designated development, regulatory and sales milestones with the potential to earn up to $156,000,000, as well as royalties on product sales. The Collaboration Agreement operates under a Research Operating Plan (ROP) which includes goals for both organizations. The Company achieved its anticipated goals in 2019 and through the third quarter of 2020.

CC-42344 Lead Molecule – Influenza A: We have several preclinical candidates under development for the treatment of influenza infection. CC-42344, a novel PB2 inhibitor, has been selected as a preclinical lead. This candidate binds to a highly conserved PB2 site of influenza polymerase complex (PB1: PB2: PA) and exhibits a novel mechanism of action. CC-42344 showed excellent preclinical antiviral activity against influenza A strains, including avian pandemic strains and oseltamivir-resistant strains, and has a favorable pharmacokinetic profile. We are currently conducting the remaining preclinical IND enabling activities and plan to initiate a Phase 1 study during 2021.

Coronavirus

During the nine months ended September 30, 2020, the Company initiated a coronavirus program targeting the SARS-CoV-2 virus that is responsible for the COVID-19 pandemic. There is currently one COVID-19 antiviral treatment approved by the U.S. Food and Drug Administration ("FDA") for use in adult and pediatric patients 12 years of age and older and weighing at least 40 kilograms (about 88 pounds) for the treatment of COVID-19 requiring hospitalization, although there are certain other drugs that may offer relief and the federal government has funded ongoing vaccine research.

The Company is currently advancing its Coronavirus program leveraging the rights to preclinical leads from its License Agreements with KSURF to further develop certain proprietary broad-spectrum antiviral compounds for the treatment of coronavirus infections (COVID-19). Cocrystal intends to pursue research and development of these antiviral compounds for coronavirus, including preclinical and clinical development. The Company's recent additional License Agreement from KSURF significantly expands and further advances its COVID-19 program by providing additional novel anti-coronavirus compounds for further development.

We initiated preclinical studies in our COVID-19 program during the second quarter and identified additional replication inhibitors utilizing our proprietary platform technology during the third quarter of this year. The Company anticipates the selection of its lead preclinical molecule in the fourth quarter of 2020.

Hepatitis C

CC-31244, our HCV Non-Nucleoside Polymerase Inhibitor ("NNI"), is a potential best-in-class pan-genotypic inhibitor of NS5B polymerase for the treatment of HCV infection. It has the potential to be an important component in an all-oral ultra-short HCV combination therapy. The Company filed an Investigational New Drug ("IND") application with the FDA on February 28, 2018 and received notice from the FDA on March 29, 2018 that its IND was now open and the Company was cleared to initiate its Phase 2a clinical study evaluating CC-31244 for the treatment of HCV infected individuals.

In June 2018, the Company began enrollment in and initiation of patient dosing in its Phase 2a clinical study evaluating CC-31244 for the treatment of HCV infected individuals and completed the enrollment in September 2018. The Phase 2a open-label study was designed to evaluate the safety, tolerability and preliminary efficacy of CC-31244 in combination with Epclusa, an approved twelve-week HCV drug. Patients were treated with CC-31244 and Epclusa for two weeks and then Epclusa alone for an additional four weeks for a total of six weeks.

On January 22, 2019 the Company announced safety and preliminary efficacy data for the Phase 2a study. All subjects had completed the six-week treatment regimen. The treatment was well tolerated with no study discontinuations due to adverse events. Eight of 12 subjects achieved the primary efficacy endpoint of sustained virologic response at 12 weeks after completion of treatment (SVR12). SVR12 is defined as undetectable virus in blood 12 weeks after completion of treatment and is considered a virologic cure. The eight subjects that achieved SVR12 had significantly higher frequencies of terminally differentiated effector memory CD8+ T cells compared with the four that relapsed at both baseline and at end-of-6-week treatment. The trial and the final study report have been completed.

In October 2018, the Company signed a Clinical Trial Agreement for an investigator-initiated study with the Humanity & Health Research Centre ("HHRC") in Hong Kong, China. Due to unrest in Hong Kong and the coronavirus pandemic, the clinical trial agreement has been terminated effective March 24, 2020.

The Company is in partnership discussions for further clinical development of CC-31244. There can be no assurance that any discussions will result in a partnership.

Norovirus Infections

We continue to identify and develop inhibitors of replication using the Company's proprietary structure-based drug design technology platform. Cocrystal recently entered into License Agreements with the KSURF to further develop certain proprietary broad-spectrum antiviral compounds for humans to treat Norovirus and Coronavirus infections. Preclinical activities for our Norovirus program are currently under way. The Company expects to complete its proof-of-concept animal model study in the fourth quarter of 2020.

Results of Operations for the Three and Nine Months Ended September 30, 2020 compared to the Three and Nine Months Ended September 30, 2019

Revenue

Revenue recorded for the three and nine months ended September 30, 2020 was $489,000 and $1,504,000, respectively, compared with $492,000 and $6,162,000 for the three and nine months ended September 30, 2019, respectively. The revenue for the nine months ended September 30, 2020 included $4,368,000 as consideration in exchange for conveyance of intellectual property rights at the signing of the Merck Collaboration Agreement executed on January 2, 2019. Currently, reimbursement of research and development expenses under the Collaboration Agreement is our only source of revenue.

Research and Development Expenses

Research and development expenses consist primarily of compensation-related costs for our employees dedicated to research and development activities and for our Scientific Advisory Board members, as well as lab supplies, lab services, and facilities and equipment costs related to our research and development programs. During the first quarter of 2020, we initiated a Coronavirus program targeting the SARS-CoV-2 virus that is responsible for the COVID-19 pandemic. There is currently no approved specific vaccine or antiviral treatment available for COVID-19.

Total research and development expenses for the three and nine months ended September 30, 2020 were $2,077,000 and $5,336,000, respectively, compared with $1,077,000 and $3,046,000 for the three and nine months ended September 30, 2019, respectively. The increase for the three and nine months ended September 30, 2020 compared to the three months ended September 30, 2019 was primarily due to increases in COVID-19 and Influenza A programs.

General and Administrative Expenses

General and administrative expenses include 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 for the three and nine months ended September 30, 2020 were $1,121,000 and $4,288,000, respectively, compared with $1,223,000 and $3,597,000 for the three and nine months ended September 30, 2019, respectively. The increase for the three and nine months ended September 30, 2020 compared to the three months ended September 30, 2019 was primarily due to litigation costs, insurance increases and executive compensation.

Interest Expense, Net

Interest expense for the three and nine months ended September 30, 2020 was $2,000 and $6,000, respectively, compared with $5,000 and $16,000 for the three and nine months ended September 30, 2019, respectively. The interest amounts represent interest incurred on finance leased lab equipment in 2019.

Other Income/(Expense)

In accordance with U.S. GAAP, we record other income or expense based upon the computed change in fair value of our outstanding warrants that are accounted for as liabilities. The fair value of our outstanding warrants is inversely related to the fair value of the underlying common stock; as such, an increase in the price of our common stock during a given period generally results in other expense. Conversely, a decrease in the price of our common stock generally results in other income, which is what occurred during both periods. The change in the fair value of derivative liabilities for the nine months ended September 30, 2020 and 2019 was $(29,000) and $173,000, respectively.

Net Loss

Net loss for the three and nine months ended September 30, 2020 was $2,670,000 and $8,155,000, respectively, compared with a net loss of $1,780,000 and $324,000 for the three and nine months ended September 30, 2019, respectively, as a result of revenue and expenses described above.

Liquidity and Capital Resources

Net cash used in operating activities was $7,449,000 for the nine months ended September 30, 2020 compared with net cash used by operating activities of $333,000 for the same period in 2019. This was primarily due to the $4,000,000 upfront payment from Merck at the signing of the Collaboration Agreement in January 2019.

Net cash used for investing activities was approximately $239,000 for the nine months ended September 30, 2020 compared with $144,000 net cash used in the same period in 2019. For the nine months ended September 30, 2020 and 2019, net cash used for investing activities consisted primarily of capital spending for computers and lab equipment.

Net cash provided by financing activities totaled $32,051,000 for the nine months ended September 30, 2020 compared with $3,769,000 for the same period in 2019. This was primarily due to the sale of common stock in three registered direct offerings and one underwritten public offering during the nine months ended September 30, 2020.

The Company has not yet established an ongoing source of revenue sufficient to cover its operating costs. The Company had $31,781,000 cash on September 30, 2020 and believes this is sufficient to maintain planned operations for well beyond the next 12 months.

We have focused our efforts on research and development activities, including through collaborations with suitable partners. We have been profitable on a quarterly basis but have never been profitable on an annual basis. We have no products approved for sale and have incurred operating losses and negative operating cash flows on an annual basis since inception.

The Company's interim 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.

Historically, public, and private equity offerings have been our principal source of liquidity. During the nine months ended September 30, 2020, the Company closed the following four registered offerings of its Common Stock.

On January 29, 2020, the Company entered into a Placement Agency Agreement with AGP, pursuant to which AGP agreed to serve as the placement agent in connection with the registered offering of 3,492,063 shares of Common Stock at a public offering price of $0.63 per share for aggregate gross proceeds to the Company of approximately $2.2 million, before deducting fees payable to the placement agent and other estimated offering expenses payable by the Company. In connection with the offering, the Company also entered into Securities Purchase Agreements with certain investors named therein, pursuant to which the Company agreed to issue the Shares directly to investors. The Company closed the offering on January 31, 2020.

On February 27, 2020, the Company entered into a securities purchase agreement with certain institutional investors, pursuant to which the Company agreed to sell and issue, in a registered direct offering, 8,461,540 shares of Common Stock at a purchase price per share of $1.30 for aggregate gross proceeds to the Company of approximately $11.0 million, before deducting fees payable to the placement agent and other estimated offering expenses payable by the Company. The Company closed the offering on February 28, 2020.

On March 9, 2020, the Company entered into a securities purchase agreement with certain institutional investors, pursuant to which the Company agreed to sell and issue, in a registered direct offering, 5,037,038 shares of Common Stock at a purchase price per share of $1.35 for aggregate gross proceeds to the Company of approximately $6.8 million, before deducting fees payable to the placement agent and other estimated offering expenses payable by the Company. The Company closed the offering on March 10, 2020.

On July 1, 2020 Company entered into an At-The-Market Offering Agreement ("ATM Agreement") with H.C. Wainwright & Co., LLC ("Wainwright"), pursuant to which the Company may issue and sell over time and from time to time, to or through Wainwright, up to $10,000,000 of shares of the Company's common stock. The Company has not sold any shares pursuant to this ATM as of the date of this filing.

On August 26, 2020, the Company entered into an Underwriting Agreement (as amended and restated, the "Underwriting Agreement") with Wainwright, pursuant to which the Company agreed to issue and sell 14,285,715 shares of the Company's common stock, par value $0.001 per share, at a public offering price of $1.05 per share, less underwriting discounts and commissions (the "Offering"). Under the terms of the Underwriting Agreement, the Company granted Wainwright a 30-day option to purchase up to an additional 2,142,857 shares of common stock at the same offering price to the public, solely to cover over-allotments, which was partially exercised. The Company received approximately $15.6 million in net proceeds from the Offering, after deducting underwriting discounts and offering expenses. The Company closed the offering on August 31, 2020.

As the Company continues to incur losses, achieving profitability is dependent upon the successful development, approval and commercialization of its product candidates, and achieving a level of revenues adequate to support the Company's cost structure. The Company may never achieve profitability, and unless and until it does, the Company will continue to need to raise additional capital. Management intends to fund future operations through additional private or public equity offerings and through arrangements with strategic partners or from other sources. There can be no assurance, however, that additional funding will be available on terms acceptable to the Company, or at all, and any equity financing may be very dilutive to existing shareholders.

Cautionary Note Regarding Forward-Looking Statements

This report includes forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including statements regarding the potential earnings under the Collaboration Agreement; the expected progress of, and the anticipated timing of achieving the value-driving milestones in, our Influenza program, including the initiation of the Phase 1 study in 2021; the expected progress of, and the anticipated timing of achieving the value-driving milestones in, our coronavirus program, including identifying additional replication inhibitors using our proprietary platform technology and the selection of a preclinical lead molecule in Q4 2020; the expected progress of, and the anticipated timing of achieving the value-driving milestones in, our norovirus program, including completing the proof-of-concept animal model study in the fourth quarter of 2020; and future liquidity. The words "believe," "may," "estimate," "continue," "anticipate," "intend," "should," "plan," "could," "target," "potential," "is likely," "will," "expect" and similar expressions, as they relate to us, are intended to identify forward-looking statements. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our financial condition, results of operations, business strategy and financial needs.

The results anticipated by any or all of these forward-looking statements might not occur. Important factors that could cause actual results to differ from those in the forward-looking statements include the risks arising from the impact of the COVID-19 pandemic on our Company, including its future effect on the U.S. and global economies, supply chain disruptions, our continued ability to proceed with our programs, receive necessary regulatory approvals and continue to rely on certain third parties, risks arising from our reliance on continuing collaboration with Merck under the Collaboration Agreement, the future results of preclinical and clinical studies, general risks arising from clinical trials, receipt of regulatory approvals, development of effective treatments and/or vaccines by competitors, including as part of the programs financed by the U.S. government, and our ability to find and enter into agreements with suitable collaboration partners. Further information on our risk factors is contained in our filings with the SEC, including our Annual Report on Form 10-K for the year ended December 31, 2019, as updated and supplemented by the Quarterly Report on Form 10-Q for the three months ended June 30, 2020. We undertake no obligation to publicly update or revise any forward-looking statements, whether as the result of new information, future events or otherwise.

Critical Accounting Policies and Estimates

In our Annual Report on Form 10-K for the year ended December 31, 2019, we disclosed our critical accounting policies and estimates upon which our financial statements are derived.

Accounting estimates. The preparation of financial statements in conformity with accounting principles generally accepted in the U.S. 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 revenues and expenses during the reporting period. Actual results could differ significantly from these estimates

Goodwill. As of September 30, 2020, the Company had a goodwill of $19,092,000. Goodwill is tested at least annually for impairment or when events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable, by assessing qualitative factors or performing a quantitative analysis in determining whether it is more. The Company's last annual impairment assessment was on November 30, 2019.

Revenue recognition. Effective in the fourth quarter of 2018, we adopted Accounting Standards Codification ("ASC") Topic 606-*Revenue from Contracts with Customers.*

Readers are encouraged to review these disclosures in the Company's Annual Report on Form 10-K for the year ended December 31, 2019 in conjunction with the review of this report.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934 (the "Exchange Act") as of the end of the period covered by this report. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures as of September 30, 2020 were effective to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms.

Changes in Internal Control over Financial Reporting

There were no material changes in our internal controls over financial reporting or in other factors that could materially affect, or are reasonably likely to affect, our internal controls over financial reporting during the quarter ended September 30, 2020. 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.

PART II — OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

From time to time, the Company is a party to, or otherwise involved in, legal proceedings arising in the normal course of business. Except as set forth below, during the period covered by this report, there have been no material changes to the description of legal proceedings set forth in our Annual Report on Form 10-K for the year ended December 31, 2019.

On July 2, 2020, the Company negotiated and executed term sheets with respect to the proposed settlement of the previously disclosed class action and three related derivative lawsuits. The term sheets are subject to approval by the court. As of September 30, 2020, the Company agreed to pay $450,000 for its share of the total proposed class action settlement. The final settlement hearing for the class action and derivative lawsuits is scheduled for December 16, 2020.

As for the settlement of the derivative lawsuits, the Company agreed to make certain corporate governance changes. On September 22, 2020, United States District Court for the District of New Jersey, where one of the derivative actions was pending, entered an order preliminarily approving the Stipulation and Agreement of Settlement, dated August 20, 2020 (the "Stipulation") by and among the plaintiffs in the derivative actions, the Company as the nominal defendant, and defendants, including certain of the Company's current and former directors and officers. The settlement as documented in the Stipulation covers all three derivative actions and is subject to the approval of the Court. The proposed settlement requires that certain defendants named in the Stipulation, other than the Company, pay the plaintiffs' attorneys' fees and expenses in the amount of $275,000, and that the Company adopt within 60 days of the final approval of the settlement by the Court certain corporate governance enhancements. A settlement hearing for the derivative action is scheduled for December 16, 2020.

In November 2017, Lee Pederson, a former Biozone lawyer, filed a lawsuit in U.S. District Court in Minnesota against co-defendants the Company, Dr. Phillip Frost, OPKO Health, Inc. and Brian Keller alleging that defendants engaged in wrongful conduct related to Biozone, including causing Biozone to enter into an allegedly improper licensing agreement and engaged in alleged market manipulation. On September 13, 2018, the United States District Court granted the Company and its co-defendants' motion to dismiss Pederson's amended complaint for lack of personal jurisdiction in Minnesota. On October 11, 2018, Pederson filed a notice of appeal with the United States Court of Appeals for the Eighth Circuit. The plaintiff's appeal was denied and the dismissal affirmed. In July 2019, Lee Pederson filed another lawsuit in the U.S. District Court in Minnesota against co-defendants the Company, Dr. Frost, and Daniel Fisher. In his complaint, Pederson alleges tortious interference by the Company and Dr. Frost with an alleged collaboration agreement between Mr. Pederson and Mr. Fisher. Mr. Pederson seeks damages in the amount of $800,000 or such other amount as may be determined at trial. This lawsuit had previously been stayed by the court, pending disposition of Pederson's first lawsuit. With that first lawsuit having been dismissed and appeal denied, the stay was lifted, and the Company was served in July 2020 with the complaint initiating that second lawsuit. The Company is reviewing the complaint with counsel. On October 14, 2020, the Company and co-defendants' motions for, among other things, dismissal for lack of personal jurisdiction in that second lawsuit were heard by the court, and the Company and co-defendants are awaiting a ruling from the trial court.

ITEM 1.A RISK FACTORS

The information presented below updates, and should be read in conjunction with, the risk factors and information disclosed in our Annual Report on Form 10-K for the year ended December 31, 2019, as updated and supplemented by the Quarterly Report on Form 10-Q for the three months ended June 30, 2020.

Our Coronavirus program is in the preclinical stage and we face significant competition from multiple parties pursuing the development of an effective COVID-19 treatment or a vaccine, some of which have significantly more advanced product candidates and substantially more resources. If we fail to gain market share as the result of our competitors developing and successfully commercializing effective COVID-19 therapies or vaccines more quickly than we do, our business and future prospects would be materially and adversely affected.

Our COVID-19 program is the preclinical stage. We initiated preclinical studies during the second quarter of 2020 and anticipate the selection of the lead preclinical molecule in the fourth quarter of 2020. We may be unable to produce an effective therapy in a timely manner or at all. Additionally, we are committing substantial financial and other resources to our COVID-19 program, which may negatively impact our other programs. Further, in the wake of the global COVID-19 pandemic a number of third parties, including large biotechnology and pharmaceutical companies and academic institutions have been conducting research aimed at development of an effective treatment for, or a vaccine against, COVID-19. Some of our competitors have substantially more resources, including government funding, than we do and have existing products in significantly more advanced stages of development. For example, the FDA has recently approved remdesivir, an investigational antiviral agent developed by Gilead Sciences, Inc. ("Gilead"), for the treatment of patients with COVID-19 requiring hospitalization. In addition, the FDA has issued an emergency use authorization for the investigational monoclonal antibody therapy for the treatment of mild-to-moderate COVID-19 in adult and pediatric patients. Further, Pfizer Inc. and BioNTech SE have announced positive preliminary data from the ongoing Phase 3 clinical trial of their vaccine candidate. If we are unable to timely advance our Coronavirus program or if we fail to gain market share as the result of our competitors developing and successfully commercializing effective COVID-19 therapies more quickly than we do, our business and future prospects would be materially and adversely affected.

Failure to meet the continued listing requirements of The Nasdaq Capital Market, could result in delisting of our common stock, which in its turn would negatively affect the price of our common stock and limit investors' ability to trade in our common stock.

Our common stock trades on The Nasdaq Capital Market ("Nasdaq"). Nasdaq rules impose certain continued listing requirements, including the minimum $1 bid price, corporate governance standards and number of public stockholders. As previously disclosed, on November, 2020, we were notified by Nasdaq that we were not compliant with its closing bid price requirement because the closing bid price of our common stock was below $1.00 per share for 30 consecutive trading days. The Company has until May 3, 2021 to regain compliance, subject to a potential 180 calendar day extension. If we fail to regain compliance by the prescribed deadlines, or fail to meet the other continued listing requirements in the future, Nasdaq would take steps to delist our common stock. If our common stock is delisted from Nasdaq, we could face significant material adverse consequences, including:

- a limited availability of market quotations for our common stock;
- reduced liquidity with respect to our common stock;
- a determination that our shares of common stock are a "penny stock" which will require broker-dealers trading in our common stock to adhere to more stringent rules, possibly resulting in a reduced level of trading activity in the secondary trading market for our common stock;
- a limited amount of news and analyst coverage for our company; and
- a limited ability to issue additional securities or obtain additional financing in the future.

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

All recent unregistered sales of securities have been previously reported.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

The exhibits listed in the accompanying "Exhibit Index" are filed or incorporated by reference as part of this Form 10-Q.

EXHIBIT INDEX

Exhibit No.	Exhibit Description	Incorporated by Reference			Filed or Furnished Herewith
		Form	Date	Number	
3.1	Certificate of Incorporation, as amended	10-Q	8/9/18	3.1	
3.2	Bylaws	8-K	12/1/14	3.4	
31.1	Certification of Principal Executive Officer (302)				Filed
31.2	Certification of Principal Financial Officer (302)				Filed
32.1	Certification of Principal Executive and Principal Financial Officer (906)				Furnished*
101.INS	XBRL Instance Document				Filed
101.SCH	XBRL Taxonomy Extension Schema Document				Filed
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document				Filed
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document				Filed
101.LAB	XBRL Taxonomy Extension Label Linkbase Document				Filed
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document				Filed

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

Copies of this report (including the financial statements) and any of the exhibits referred to above will be furnished at no cost to our shareholders who make a written request to our Corporate Secretary at Cocrystal Pharma, Inc., 4400 Biscayne Blvd, Suite 101, Miami, FL 33137.

SIGNATURES

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

Cocrystal Pharma, Inc.

Dated: November 13, 2020

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

Dated: November 13, 2020

By: */s/ James Martin*
James Martin
Chief Financial Officer
(Principal Financial Officer)

Exhibit 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

I, Gary Wilcox, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: November 13, 2020

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

Exhibit 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

I, James Martin, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: November 13, 2020

/s/ James Martin

James Martin
Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

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

In connection with the quarterly report of Cocrystal Pharma, Inc. (the "Company") on Form 10-Q for the quarter ended September 30, 2020, as filed with the Securities and Exchange Commission on the date hereof, I, Gary Wilcox, 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 quarterly report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and

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

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

Dated: November 13, 2020

In connection with the quarterly report of Cocrystal Pharma, Inc. (the "Company") on Form 10-Q for the quarter ended September 30, 2020, as filed with the Securities and Exchange Commission on the date hereof, I, James Martin, 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 quarterly report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and

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

/s/ James Martin
James Martin
Chief Financial Officer
(Principal Financial Officer)

Dated: November 13, 2020