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 March 31, 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 May 13, 2020, the number of outstanding shares of the registrant's common stock, par value $0.001 per share, was 52,140,699.

COCRYSTAL PHARMA, INC.

FORM 10-Q FOR THE QUARTER ENDED MARCH 31, 2020

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Part I – FINANCIAL INFORMATION

COCRYSTAL PHARMA, INC.

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

	March 31, 2020 (unaudited)	December 31, 2019
Assets		
Current assets:		
Cash	$ 21,686	$ 7,418
Restricted cash	50	50
Accounts receivable	644	644
Prepaid expenses and other current assets	202	169
Total current assets	22,582	8,281
Property and equipment, net	494	431
Deposits	39	50
Operating lease right-of-use assets, net (including $40 to related party)	634	677
Goodwill	19,092	19,092
Total assets	$ 42,841	$ 28,531
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable and accrued expenses	$ 1,659	$ 1,999
Current maturities of finance lease liabilities	50	103
Current maturities of operating lease liabilities (including $59 to related party)	182	177
Derivative liabilities	34	7
Total current liabilities	1,925	2,286
Long-term liabilities:		
Finance lease liabilities	10	14
Operating lease liabilities (including $40 to related party)	475	523
Total long-term liabilities	485	537
Total liabilities	2,410	2,823
Commitments and contingencies		
Stockholders' equity:		
Common stock, $0.001 par value; 100,000 shares authorized as of March 31, 2020 and December 31, 2019; 52,141 and 35,150 shares issued and outstanding as of March 31, 2020 and December 31, 2019, respectively	53	36
Additional paid-in capital	277,628	260,932
Accumulated deficit	(237,250)	(235,260)
Total stockholders' equity	40,431	25,708
Total liabilities and stockholders' equity	$ 42,841	$ 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 March 31,	
	2020	2019
Revenues:		
Collaboration revenue	$ 461	$ 5,078
Operating expenses:		
Research and development	1,283	878
General and administrative	1,139	1,323
Total operating expenses	2,422	2,201
Income (loss) from operations	(1,961)	2,877
Other (expense) income:		
Interest expense, net	(2)	(6)
Change in fair value of derivative liabilities	(27)	100
Total other income (expense), net	(29)	94
Net income (loss)	$ (1,990)	$ 2,971
Net income (loss) per common share, basic and diluted	$ (0.05)	$ 0.10
Weighted average number of common shares outstanding, basic	41,662	30,337
Weighted average number of common shares outstanding, diluted	41,662	30,371

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

	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	1,682	2	3,926	-	3,928
Net income	-	-	-	2,971	2,971
Balance as of March 31, 2019	31,620	$ 32	$ 257,908	$ (184,120)	$ 73,820

See accompanying notes to condensed consolidated financial statements.

COCRYSTAL PHARMA, INC.

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

	Three months ended March 31,	
	2020	2019
Operating activities:		
Net income (loss)	$ (1,990)	$ 2,971
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization expense	30	23
Amortization of right of use assets	44	43
Stock-based compensation	107	33
Payments on operating lease liabilities	(44)	(27)
Change in fair value of derivative liabilities	27	(100)
Changes in operating assets and liabilities:		
Accounts receivable	-	(1,078)
Prepaid expenses and other current assets	(33)	22
Deposits	11	-
Accounts payable and accrued expenses	(340)	134
Deferred rent	-	(3)
Net cash (used in) provided by operating activities	(2,188)	2,018
Investing activities:		
Purchases of property and equipment	(93)	(25)
Net cash used in investing activities	(93)	(25)
Financing activities:		
Payments on finance lease liabilities	(57)	(52)
Proceeds from sale of common stock, net of transaction costs	16,606	3,928
Net cash provided by financing activities	16,549	3,876
Net increase in cash and restricted cash	14,268	5,869
Cash and restricted cash at beginning of period	7,468	2,752
Cash and restricted cash at end of period	$ 21,736	$ 8,621
SUPPLEMENTAL DISCLOSURE OF NON-CASH OPERATING ACTIVITIES:		
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 viral replication inhibitors, 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, and performing research and development. 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 March 31, 2020, the Company has primarily funded its operations through equity offerings.

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: RFS Pharma, LLC, 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. 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 March 31, 2020 and December 31, 2019, our primary operating account held approximately $21,686,000 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 March 31, 2020, 100% of our revenue and receivables are from one customer, Merck Sharp & Dohme Corp. ("Merck").

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 March 31, 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 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, and have represented a series of awarded patents, filed patent applications and an in-process research program acquired related to Hepatitis C compound development.

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 March 31, 2020, the Company had goodwill of $19,092,000. The Company 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.

Based on management's assessment at March 31, 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. The Company adopted ASU 2018-18, effective in the fourth quarter of 2018 with no impact on our consolidated financial statements and related footnote disclosures.

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.

The Company recognized revenue for the three months ended March 31, 2020 and 2019 were $461,000 and $5,078,000, respectively. As of March 31, 2020, accounts receivable of $644,000 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 March 31, 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 three months ended March 31, 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.

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 Estimate 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.

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 computation of basic and diluted net income (loss) per common share (in thousands, except per share amounts) for the three months ended:

	March 31, 2020	March 31, 2019
Numerator:		
Net income (loss) attributable to common stockholders	$ (1,990)	$ 2,971
Denominator:		
Weighted average number of shares outstanding, basic	41,662	30,337
Adjustment for dilutive effects of warrants, outstanding and in-the-money	-	26
Adjustment for dilutive effects of options, exercisable and in-the-money	-	8
Weighted average number of common shares outstanding, diluted	41,662	30,371
Net income (loss) per common share, basic	$ (0.05)	$ 0.10
Net income (loss) per common share, diluted	$ (0.05)	$ 0.10

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):

	March 31,	
	2020	2019
Outstanding options to purchase common stock	923	1,200
Warrants to purchase common stock	243	217
Notes payable convertible to common stock	-	-
Total	1,166	1,417

Recent Accounting Pronouncements

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 March 31, 2020, and December 31, 2019, property and equipment consists of (in thousands):

	March 31, 2020	December 31, 2019
Lab equipment (excluding equipment under finance leases)	$ 1,138	$ 1,073
Finance lease right-of-use lab equipment obtained in exchange for finance lease liabilities	347	347
Computer and office equipment	120	92
Total property and equipment	1,605	1,512
Less: accumulated depreciation and amortization	(1,111)	(1,081)
Property and equipment, net	$ 494	$ 431

Total depreciation and amortization expense were $30,000 and $23,000 for the three months ended March 31, 2020 and 2019 respectively, which includes amortization expense of $17,000 for both years. 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:

	March 31, 2020	December 31, 2019
Accounts payable	$ 922	$ 1,511
Accrued compensation	107	83
Accrued other expenses	630	405
Total accounts payable and accrued expenses	$ 1,659	$ 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 March 31, 2020, the Company has authorized 100,000,000 shares of common stock, $0.001 par value per share. The Company had 52,140,699 and 35,150,058 shares issued and outstanding as of March 31, 2020 and December 31, 2019, respectively.

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

On March 20, 2019, the Company by written notice suspended at-the-market sales of its common stock pursuant to the Equity Distribution Agreement, dated July 19, 2018 (the "Distribution Agreement") by and among the Company, Ladenburg, Barrington, and A.G.P./Alliance Global Partners ("AGP"). The Company also terminated the engagement of Barrington as a sales agent under the Distribution Agreement effective March 21, 2019. The Distribution Agreement remains in place with respect to AGP, subject to the suspension of sales discussed above until further notice is provided by the Company to AGP. In January 2019, we sold 80,000 shares of common stock under the Distribution Agreement and received net proceeds of approximately $344,000. In October 2019, the Company and AGP amended and restated its Distribution Agreement to reduce the amount to be raised under the Distribution Agreement from $10,000,000 to $6,000,000 (inclusive of the $351,576 which has been raised to date).

On January 29, 2020 the "Company and AGP further amended the Distribution Agreement to reduce the amount to be raised under the Agreement from $6,000,000 to $551,576 (inclusive of the $351,576 which has been raised to date).

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 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. 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, lock-up settlement fee and other estimated offering expenses payable by the Company. The Company closed the offering on March 10, 2020.

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 March 31, 2020, 3,595,643 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 three months ended March 31, 2020 and 2019 (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	-	-	-	-
Cancelled	8	(8)	2.94	-
Balance at March 31, 2020	3,596	923	4.15	-

The Company did not grant any options during the three months ended March 31, 2020, nor the three months ended March 31, 2019.

The Company accounts for share-based awards to employees and nonemployees 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 months ended March 31, 2020 and 2019, equity-based compensation expense recorded was $107,000 and $33,000, respectively.

As of March 31, 2020, there was approximately $1,072,000 of total unrecognized compensation expense related to non-vested stock options that is expected to be recognized over a weighted average period of 1.4 years. For options granted and outstanding, there were 923,065 options outstanding which were fully vested or expected to vest, with an aggregate intrinsic value of $0, a weighted average exercise price of $4.15, and weighted average remaining contractual term of 7.84 years at March 31, 2020. For vested and exercisable options, outstanding shares totaled 413,690, with an aggregate intrinsic value of $0. These options had a weighted average exercise price of $5.84 per share and a weighted-average remaining contractual term of 7.1 years at March 31, 2020.

The aggregate intrinsic value of outstanding and exercisable options at March 31, 2020 was calculated based on the closing price of the Company's common stock as reported on The Nasdaq Capital Market on March 31, 2020 of $0.71 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:

	March 31, 2020	March 31, 2019
Stock options issued and outstanding	923	1,208
Shares authorized for future option grants	3,596	1,016
Convertible notes	-	-
Warrants outstanding	243	243
Total	4,762	2,467

7. Warrants

The following is a summary of activity in the number of warrants outstanding to purchase the Company's common stock for the three months ended March 31, 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, March 31, 2020	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 March 31, 2020:

	October 2013 Warrants	January 2014 Warrants
Strike price	$ 15.00	$ 15.00
Expected dividend yield	0.0%	0.0%
Contractual term (years)	3.6	3.8
Cumulative volatility	120.15%	118.41%
Risk-free rate	0.39%	0.41%
Value	$ 0.20	$ 0.21

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 Sharp & Dohme Corp.

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 $461,000 in revenues on the condensed consolidated statement of operations and recorded the same amount in accounts receivable on the condensed consolidated balance sheet, for the three months ended and as of March 31, 2020, respectively, related to influenza A/B program research and development expenses for the first quarter of 2020.

Kansas State University Research Foundation

Cocrystal entered into a License Agreement with Kansas State University Research Foundation (the "Foundation") 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, the Foundation 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 the Foundation 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. See Note 11, Subsequent Events with respect to another License Agreement with the foundation.

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 4.5 years.

The following table summarizes the Company's maturities of operating lease liabilities, by year and in aggregate, as of March 31, 2020 (in thousands):

2020 (excluding the three months ended March 31, 2020)	$	170
2021		213
2022		178
2023		183
Thereafter		15
Total operating lease payments		759
Less: present value discount		(102)
Total operating lease liabilities	$	657

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 three months ended March 31, 2020 and 2019, approximately $20,000 and $16,000 of variable lease expense (CAM) was included in general and administrative operating expenses on the condensed consolidated statements of operations, respectively.

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.

For the three months ended March 31, 2020 and 2019, operating lease expense, excluding short-term leases, finance leases and CAM charges, totaled approximately $44,000 and $43,000, respectively.

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. For finance leases, the weighted average discount rate is 8.0% and the weighted average remaining lease term is 1.7 years.

The following table summarizes the Company's maturities of finance lease liabilities, by year and in aggregate, as of March 31, 2020 (in thousands):

2020 (excluding the three months ended March 31, 2020)	$	48
2021		15
Total finance lease payments		63
Less: present value discount		(3)
Total finance lease liabilities	$	60

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 March 31, 2020, total right-of-use lab equipment and accumulated depreciation recognized under finance leases is $347,000 and $93,000, respectively, and depreciation expense for the three months ended March 31, 2020 was $17,000. 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 $76,000.

At March 31, 2020, the aggregate outstanding balance of finance lease liabilities, current and long-term, is $63,000 and the Company expects to pay future interest charges of $3,000 over the remaining finance lease terms. For the three months ended March 31, 2020, the Company paid $57,000 and $2,000 in principal and interest, respectively, totaling financing cash out flows of $57,000, net of interest expense, for amount included in the measurement of lease liabilities for finance leases. 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 three months ended March 31, 2019, the Company paid $52,000 and $6,000 in principal and interest, respectively, totaling financing cash out flows of $52,000, net of interest expense, for amount included in the measurement of lease liabilities for finance leases.

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.

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 the SEC investigation. We have retained counsel to defend us which has filed an answer to the complaint.

On September 7, 2018, the SEC filed with the United States District Court for the Southern District of New York a complaint against Dr. Philip Frost, a director and principal stockholder of the Company, a trust Dr. Frost controls and OPKO Health, Inc., a stockholder of the Company, of which Dr. Frost is the Chief Executive Officer, as well as other defendants named therein. On January 10, 2019, the District Court entered final judgments against these defendants on their consent without admitting or denying the allegations set forth in the complaint. Dr. Frost was permanently enjoined from violating a certain anti-fraud provision of the Securities Act of 1933, future violations of Section 13(d) of the Exchange Act and Rule 13d-1(a) thereunder and participating in penny stock offerings subject to certain exceptions.

In November 2017, Lee Pederson, a former Biozone lawyer, filed a lawsuit in Minnesota against co-defendants the Company, Dr. Phillip Frost, OPKO Health, Inc. and Brian Keller for various allegations. On September 13, 2018, the United States District Court granted the Company and its co-defendants' motion to dismiss Pederson's amended complaint. 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.

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 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 $14,000 and $14,000 for the three months ended March 31, 2020 and 2019, respectively.

11. Subsequent Events

Kansas State University Research Foundation

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

Pursuant to the terms of the second License Agreement, the Foundation 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 the Foundation a one-time non-refundable license initiation fee of $110,000 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. (refer to Note 8 – Licenses and Collaborations).

Directors

On April 15, 2020, the Board elected Dr. Roger Kornberg, Chairman of the Company's Scientific Advisory Board, as a director to fill the vacancy on the Board, effective immediately following Dr. Jane Hsiao's resignation. Dr. Kornberg was also appointed a member of the Compensation Committee and the Corporate Governance and Nominating Committee of the Board. Dr. Kornberg, a Nobel Laureate, will also continue as Chairman of the Company's Scientific Advisory Board.

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

COVID-19 is caused by a coronavirus called SARS-CoV-2. Coronaviruses are a large family of viruses that are common in people and many different species of animals, including camels, cattle, cats, and bats. Rarely, animal coronaviruses can infect people and then spread between people. This occurred with MERS-CoV and SARS-CoV, and now with the virus that causes COVID-19.

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 three months ended March 31, 2020, the Company focused its research and development efforts primarily in four areas:

Influenza

On January 2, 2019, the Company 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. See Note 8 – Licenses and Collaborations in the notes to the condensed consolidated financial statements under Item I, above, for more information. The collaboration has identified novel inhibitors effective against both strains A and B. During the three months ended March 31, 2020, the Company continued working with Merck under the Collaboration Agreement.

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 antiviral activity against influenza A strains, including avian pandemic strains and Tamiflu resistant strains, and has favorable pharmacokinetic profiles. We are currently conducting additional preclinical IND enabling activities and plan to initiate a Phase 1 study during 2021.

Coronavirus

During the three months ended March 31, 2020, the Company initiated a coronavirus program targeting the SARS-CoV-2 virus that is responsible for the COVID-19 pandemic. There is currently no specific vaccine or antiviral treatment available for COVID-19.

The Company is currently advancing its Coronavirus program leveraging the rights to preclinical leads from its License Agreements with Kansas State University Research Foundation 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 significantly expands and further advances its COVID-19 program by providing novel anti-coronavirus compounds for further development.

We initiated preclinical studies of COVID-19 inhibitors during the second quarter and plans to identify additional COVID-19 inhibitors utilizing its 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 U.S. Food and Drug Administration ("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.

Norovirus Infections

We continue to identify and develop non-nucleoside polymerase inhibitors using the Company's proprietary structure-based drug design technology platform. Cocrystal recently entered into a License Agreement with the Kansas State University Research Foundation 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 Months Ended March 31, 2020 compared to the Three Months Ended March 31, 2019

Revenue

Revenue recorded for the three months ended March 31, 2020 was $461,000, compared with $5,078,000 for the three months ended March 31, 2019. The revenue for the three months ended March 31, 2019 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 Expense

Research and development expense 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 specific vaccine or antiviral treatment available for COVID-19.

Total research and development expenses for the three months ended March 31, 2020 and 2019 were $1,283,000 and $878,000, respectively. The increase of $405,000 was primarily due increases in COVID-19 and Influenza programs.

General and Administrative Expense

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

General and administrative expenses for the three months ended March 31, 2020 and 2019 were approximately $1,139,000 and $1,323,000, respectively. The decrease of $184,000 was primarily due to decreased audit related fees, resulting from a change in our independent registered public accounting firm in April 2019, and legal services that included contracts, litigation and patent related matters.

Interest Expense, Net

Interest expense for the three months ended March 31, 2020 and 2019 were approximately $2,000 and $6,000, respectively. The interest amounts represent interest incurred on finance leased lab equipment in 2019. Interest income was negligible for the three months ended March 31, 2020 and 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 three months ended March 31, 2020 and 2019 was $27,000 and $100,000, respectively.

Income Taxes

No income tax benefit or expense was recognized for the three months ended March 31, 2020. The Company's effective income tax rate was 0.0% and 0.0% for the three-months ended March 31, 2020 and March 31, 2019, respectively. As a result of the Company's cumulative losses, management has concluded that a full valuation allowance against the Company's net deferred tax assets is appropriate.

Net Income (Loss)

As a result of the above factors, for the three months ended March 31, 2020, the Company had net loss of approximately $1,990,000 compared with a net income of approximately $2,971,000 for the same period in 2019.

Liquidity and Capital Resources

Net cash used by operating activities was $2,186,000 for the three months ended March 31, 2020 compared with net cash provided by operating activities of $2,018,000 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 $93,000 for the three months ended March 31, 2020 compared with $25,000 net cash used for the same period in 2019. For the three months ended March 31, 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 $16,547,000 for the three months ended March 31, 2020 compared with $3,876,000 for the same period in 2019. This was primarily due to the sale of common stock in three registered direct offerings during the three months ended March 31, 2020.

The Company has not yet established an ongoing source of revenue sufficient to cover its operating costs. The Company had $21,686,000 cash on March 31, 2020 and believes this is sufficient to maintain planned operations through 2021.

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 three months ended March 31, 2020, the Company closed the following three registered direct 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 (the "Shares") 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.

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 assurances, 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 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 inhibitors using our proprietary platform technology in Q3 2020 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, and on the national and global economy, 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, 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. 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 March 31, 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 March 31, 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 March 31, 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. During the reporting period, except as set forth below, 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.

ITEM 1.A RISK FACTORS

None.

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

All recent sales of unregistered 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	
10.1	Exclusive License and Research Collaboration Agreement between the Company and Merck Sharp & Dohme Corp., dated January 2, 2019*	10-K	4/1/19	10.12	
10.2	Amendment to Equity Distribution Agreement, dated March 20, 2019	8-K	3/26/19	10.1	
10.3	Securities Purchase Agreement, dated March 11, 2019	8-K	3/11/19	10.1	
10.4	Amendment, dated January 29, 2020, to the Amended and Restated Equity Distribution Agreement, dated October 2, 2019, between the Company and A.G.P./Alliance Global Partners	8-K	1/29/20	1.1	
10.5	Placement Agency Agreement, dated January 29, 2020, between the Company and A.G.P./Alliance Global Partners+	8-K	1/31/20	1.1	
10.6	Form of Securities Purchase Agreement, dated January 29, 2020, among the Company and the purchasers named therein+	8-K	1/31/20	10.1	
10.7	License Agreement, dated February 18, 2020, between the Company and Kansas State University Research Foundation*				Filed
10.8	Engagement letter dated February 26, 2020 by and between the Company and H.C. Wainwright & Co., LLC	8-K	3/4/20	10.2	
10.9	Form of Securities Purchase Agreement, dated February 27, 2020, by and between the Company and the purchasers named therein+	8-K	3/4/20	10.1	
10.10	Form of Securities Purchase Agreement, dated March 9, 2020, by and between the Company and the purchasers named therein+	8-K	3/13/20	10.1	
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

* Portions of this exhibit have been omitted as permitted by the rules of the SEC. The information excluded is both (i) not material and (ii) would be competitively harmful if publicly disclosed. The Company undertakes to submit a marked copy of this exhibit for review by the SEC staff, to the extent it has not been previously provided, and provide supplemental materials to the SEC staff promptly upon request.

** 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.

+ Exhibits and/or schedules have been omitted. The Company hereby agrees to furnish to the SEC upon request any omitted information.

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: May 13, 2020

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

Dated: May 13, 2020

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

Portions of this document have been omitted as permitted by the rules of the Securities and Exchange Commission. The information excluded is both (i) not material and (ii) would be competitively harmful if publicly disclosed. [*] designates the omitted information.

Exhibit 10.7

LICENSE AGREEMENT

BETWEEN

Cocrystal Pharma, Inc.

AND

KANSAS STATE UNIVERSITY RESEARCH FOUNDATION

LICENSE AGREEMENT

This LICENSE AGREEMENT (this "**Agreement**"), the effective date of which is February 12, 2020 (hereinafter "**Effective Date**") is made by and between **Kansas State University Research Foundation**, a non-profit Kansas corporation having its principal office at 2005 Research Park Circle, Manhattan, Kansas, USA, 66502 (hereinafter referred to as "**Foundation**") and **Cocrystal Pharma, Inc.**, a corporation having its principal office at 19805 North Creek Parkway, Bothell, WA 98011 (hereinafter referred to as "**Licensee**")(each of Foundation and Licensee, a "**Party**" and together the "**Parties**").

RECITALS

A. Foundation has been assigned the patent rights [*];
B. Foundation desires to have products and services based on the inventions described in the Patent Rights developed and commercialized to benefit the public; and
C. Licensee desires to obtain a license under the Patent Rights and Know-How.

NOW, THEREFORE, in consideration of the premises and the mutual promises and covenants contained herein, the Parties hereby agree as follows:

ARTICLE 1: DEFINITIONS

For the purposes of this Agreement, the following words and phrases shall have the following meanings:

1.1 "**Affiliate**" means any individual or entity directly or indirectly controlling, controlled by or under common control with, a Party to this Agreement. For purposes of this Agreement, the direct or indirect ownership of over fifty percent (50%) of the profits or earnings of an entity shall be deemed to constitute control. Such other relationship as in fact results in actual control over the management, business and affairs of an entity shall also be deemed to constitute control. For the limited scope of this Agreement, Kansas State University (hereinafter the "**University**") is deemed to be an Affiliate of Foundation.

1.2 "**Confidential Information**" as used in this Agreement means all information in any form whatsoever disclosed in any manner by or on behalf of one Party or its Affiliates to the other Party or any of its Affiliates before or after the Effective Date and includes without limitation information about products, raw materials, packaging, manufacturing processes, samples, technical information, scientific information, financial information, business information, customer and supplier lists, and the terms and conditions of this Agreement.

1.3 "**Control**" means, with respect to any item of Know-How, Patent Right, or other intellectual property right, a Party has the ability (whether by sole, joint or other ownership interest, license, sublicense or otherwise, and including any such abilities which are contingent) (other than by operation of the licenses granted in this Agreement) to grant a license, sublicense, access or right to use (as applicable) under such item of Know-How, Patent Right, or other intellectual property right to the other Party on the terms and conditions set forth herein at the time of such grant, in each case without breaching the terms of any agreement with a third party.

1.4 **Omitted**

1.5 **Omitted**

1.6 "**Field of Use**" means the use of "Licensed Products" for antiviral therapeutics for humans, as well as antiviral diagnostic and prophylactic uses for humans. Excluded from the Field of Use is any use of compound known as [*].

1.7 "**Know-How**" means any subject matter owned or Controlled by Foundation relating to the subject matter of the Patent Rights but not claimed in the Patent Rights and otherwise not known to the general public.

1.8 "**Licensed Products**" means on a country-by-country basis, any product for use in the Field of Use.

1.9 "**Net Sales**" means the gross amount of monies or cash equivalent or other consideration which is paid by unaffiliated third parties to Licensee, and its sublicensee's billings for Licensed Products less the sum of the following:

a. discounts allowed in amounts customary in the trade;
b. sales, tariff duties and/or use taxes directly imposed and with reference to particular sales;
c. outbound transportation and insurance prepaid or allowed;
d. amounts allowed or credited on returns, rebates, chargebacks and other allowances; and
e. retroactive price reductions that are actually allowed or granted.

No deductions shall be made for commissions paid to individuals whether they are with independent sales agencies or regularly employed by Licensee and on its payroll, or for cost of collections. Licensed Products shall be considered "sold" when billed out or invoiced. For the purposes of calculating Net Sales, transfers to a sublicensee or an Affiliate of Licensed Product under this Agreement for (i) end use (but not resale) by the sublicensee or Affiliate shall be treated as sales by Licensee at list price of Licensee and (ii) resale by a sublicensee or an Affiliate shall not be treated as Net Sales, but the resale thereof shall be treated as Net Sales; provided, however, Net Sales shall not include any Licensed Products transferred for use in connection with clinical trials or other development activity, pre-clinical research and trials, promotional use (including samples), compassionate use or indigent programs. [For "compassionate use", see
https://www.fda.gov/news-events/public-health-focus/expanded-access
https://www.cancer.org/treatment/treatments-and-side-effects/clinical-trials/compassionate-drug-use.html]

1.10 "**Patent Rights**" means any subject matter claimed in or disclosed by [*].

1.11 "**Term**" the term of this Agreement shall commence on the Effective Date and, unless earlier terminated as provided in Article 11, shall continue in full force and effect until the expiration of the last to expire of the Patent Rights.

1.12 "**Territory**" means worldwide.

1.13 "**Valid Patent Claim**" means a claim in any issued and unexpired patent included in the Patent Rights, which claim has not been held invalid or unenforceable by the decision of a court or government agency or other appropriate body of competent jurisdiction (which decision is not appealable or has not been appealed within the time allowed for appeal), has not been abandoned or admitted to be invalid or unenforceable through reissue, reexamination or disclaimer, and has not been made unenforceable due to failure to pay maintenance fees.

ARTICLE 2: LICENSE GRANT

2.1 Subject to the terms and conditions set forth herein, Foundation hereby grants to Licensee an exclusive, royalty-bearing right and license in the Territory for the Field of Use to practice under the Patent Rights to make, have made, use, lease, sell, offer to sell, and import Licensed Products in the Territory until the end of the Term for which the Patent Rights are granted to the Foundation by the responsible agencies, unless this Agreement shall be sooner terminated according to the terms hereof.

2.2 Foundation also hereby grants to Licensee a non-exclusive right and license in the Territory for the Field of Use to practice under the Know-How to make, have made, use, lease, sell, offer to sell, and import Licensed Products in the Territory until the end of the Term for which the Patent Rights are granted to the Foundation by the responsible agencies, unless this Agreement shall be sooner terminated according to the terms hereof.

2.3 For clarity, Foundation shall be free to grant commercial licenses to the Patent Rights to third parties in all fields outside the Field of Use, which licenses shall not conflict with the terms of this Agreement and shall expressly deny any license or right to commercialize products within the Field of Use.

2.4 Foundation and the University have a reserved right to practice under the Patent Rights for non-commercial research and educational purposes within the mission of the University, adhering to the confidentiality provisions of Article 13.

2.5 Licensee shall have the right to enter into sublicensing agreements for the rights, privileges and licenses granted hereunder, provided that Licensee shall give Foundation written notice thereof within thirty (30) days after any such sublicense shall become effective. No such sublicense shall relieve Licensee of its obligations hereunder and Licensee and each such sublicensee shall execute documents to the foregoing effect, a copy of which and any amendments thereto will be furnished to Foundation promptly upon execution and delivery. Upon any termination of this Agreement, all sublicensee's rights shall also terminate, except as provided in Section 11.7 hereof.

2.6 Licensee agrees that any sublicense granted by it shall be subject in all respects to restrictions, provisions and obligations in this Agreement and shall be binding upon the sublicensee as if it were a party to this Agreement and include a provision prohibiting the sublicensee from sublicensing its rights under such sublicense agreement.

2.7 Licensee shall not receive from sublicensee(s) anything of value in lieu of cash payments in consideration for any sublicense under this Agreement, without the express prior written permission of Foundation.

2.8 The license granted shall not be construed to confer any rights upon Licensee by implication, estoppel or otherwise as to any technology not specifically set forth in Patent Rights or Know-How.

2.9 Development of the invention was sponsored in part by the United States Government, and as a consequence this Agreement, any license agreement and the invention are subject to overriding obligations to the Federal Government (including a non-exclusive, irrevocable license to use the invention by or on behalf of the Government throughout the world), under 35 U.S.C. §§200-212 and applicable regulations.

ARTICLE 3: DUE DILIGENCE

3.1 Licensee shall use commercially reasonable efforts and shall cause its sublicensees to use commercially reasonable efforts: (a) to develop Licensed Products; (b) to introduce Licensed Products into the commercial market; and (c) to market Licensed Products following such introduction into the market; to the extent such Licensed Products are covered by a Valid Patent Claim.

3.2 Omitted.

3.3 Omitted

3.4 Until reporting begins under Section 5.2, Licensee shall, within sixty (60) days after the end of each calendar year starting in year 2021, furnish Foundation with a written report summarizing its, its Affiliates' and its sublicensees' efforts during the prior year to develop and commercialize Licensed Products, including: (a) research and development activities completed; (b) commercialization and/or other distribution efforts, including significant corporate transactions involving Licensed Products; and (c) marketing efforts. Each report must contain a sufficient level of detail for Foundation to assess whether Licensee is in compliance with its obligations under Section 3.1 and a discussion of intended efforts for the then current year. Together with each report, Licensee shall provide Foundation with a copy of the then current development plan for the current year, including an updated schedule of anticipated events or milestones.

3.5 Licensee's failure to perform in accordance with Section 3.4 above shall be grounds for Foundation to terminate this Agreement pursuant to Section 11.3 herein, providing such deficiency is not remedied within ninety (90) days of notice by Foundation to Licensee that such deficiency exists.

ARTICLE 4: CONSIDERATION FOR GRANT OF LICENSE

4.1 For the rights, privileges and license granted, Licensee agrees to reimburse Foundation the sum of [*], payable thirty (30) days after the Effective Date, for third-party fees and expenses paid by Foundation prior to the Effective Date of this Agreement associated with the filing, prosecution and maintenance of the Patent Rights. The details of these fees are set forth in Appendix A (" **Patent Fees**"). Licensee shall also make the following payments to Foundation in the manner hereinafter provided during the Term:

(a) LICENSE INITIATION FEE: Licensee shall pay to Foundation a non-refundable License Initiation Fee in the sum of eighty thousand dollars (USD $80,000), payable thirty (30) days after the Effective Date. This License Initiation Fee shall be separate from and unrelated to any other fees, such as, the Annual License Maintenance Fees, and Royalty payments set forth in this Article 4.

(b) ANNUAL LICENSE MAINTENANCE FEE: Licensee shall pay the following annual license maintenance fees (the "**Annual License Maintenance Fees**"):

Twenty thousand dollars (USD $20,000) each year.

Such Annual License Maintenance Fees shall be due on the anniversary date of the Effective Date and are non-refundable. Royalty payments in a given license year shall be creditable against these Annual License Maintenance Fees.

(c) RUNNING ROYALTIES: During the Term, Licensee shall pay Foundation running royalties in an amount equal to [*] of Net Sales of Licensed Products covered by a Valid Patent Claim (such royalties, the "**Running Royalties**"); provided, however, that in the event Licensee or its sublicensee or Affiliate is required to pay a third party in consideration for a license under any patent rights claiming the composition, use or manufacture of the Licensed Product, Licensee shall then be entitled to credit fifty percent (50%) of such third party payments against the Running Royalties with respect to the Net Sales of the Licensed Product, such credit not to exceed fifty percent (50%) of the Running Royalties otherwise due for any calendar quarter for the Licensed Product.

(d) DEVELOPMENT MILESTONE PAYMENTS: Licensee will pay development milestone payments as set forth below within thirty (30) days after the achievement of the relevant milestone by Licensee, as applicable, or its affiliates or sublicensees.

"**Major Country**" means the United Kingdom, France, Germany, Italy, Spain or Canada.

Dosing of the first patient with the first Licensed Product in a Phase 1 clinical trial	[*]
Dosing of the first patient with the first Licensed Product in a Phase 2 clinical trial	[*]
Dosing of the first patient with the first Licensed Product in a Phase 3 clinical trial	[*]
Regulatory approval of the first Licensed Product in the United States	[*]
First commercial sale of the first Licensed Product in the United States	[*]
First commercial sale of the first Licensed Product in a Major Country outside North America.	[*]

(e) In addition to Running Royalties, a percentage of any upfront payments received by Licensee from sublicensees in consideration for sublicensing the Patent Rights shall be paid to Foundation based on the following schedule:

- [*]
- [*]
- [*]
- [*]

(f) All payments made in accordance with subparagraphs 4.1(c) and 4.1(e) shall be credited against the Annual License Maintenance Fee provided for in 4.1(b), but only in the calendar year they are received by Foundation.

4.2 No multiple Running Royalties shall be payable because any Licensed Product, its manufacture, use, lease, importation or sale are or shall be covered by more than one Valid Patent Claim in one or more Patent Rights licensed under this Agreement.

4.3 All Running Royalty payments due hereunder shall be paid in full, without deduction of taxes or other fees which may be imposed by any government and which shall be paid by Licensee. Non-royalty payments under Section 4.1(e) shall be net of any transaction taxes or fees, not including income tax on profits, which may be imposed by any government upon receipt by Licensee.

4.4 A sale Running Royalties shall accrue when Licensed Products are invoiced, or if not invoiced, when delivered to a third party, not an Affiliate or sublicensee whose resale would constitute Net Sales. Licensee shall within sixty (60) days after March 31, June 30, September 30 and December 31, of each year, pay Running Royalties. Each payment shall be for Running Royalties accrued within Licensee's most recently completed calendar quarter.

4.5 Royalty payments shall be paid in United States dollars ("**USD**") without deduction of exchange, collection or other charges in Manhattan, Kansas, or at such other place as Foundation may reasonably designate consistent with the laws and regulations controlling in any foreign country. If any currency conversion shall be required in connection with the payment of Running Royalties, such conversion shall be made by using the exchange rate published in the Wall Street Journal on the last business day of the calendar quarterly reporting period to which such royalty payments relate.

4.6 All payments due Foundation shall be made out to "Kansas State University Research Foundation." Payment may be remitted via bank wire transfer, at Licensee's expense, in immediately available funds to such bank account in the United States designated in writing by Foundation from time to time.

4.7 The Running Royalty and other payments set forth in this Agreement and amounts due under Article 6 shall, if overdue, bear interest from and including the date payment is due until payment at a per annum rate equal to [*]. The payment of such interest shall not foreclose Foundation from exercising any other rights it may have as a consequence of the lateness of any payment.

ARTICLE 5: REPORTS AND RECORDS

5.1 Licensee shall keep full, true and accurate books of account containing all particulars that may be necessary for the purpose of showing the amounts payable by Licensee to Foundation. Said books of account shall be kept at Licensee's principal place of business or the principal place of business of the appropriate division of Licensee to which this Agreement relates. Said books and the supporting data shall be open at all reasonable times for three (3) years following the end of the calendar year to which they pertain, to the inspection by an independent certified public accounting firm selected by Foundation and reasonably acceptable to Licensee, at Foundation's expense, for the sole purpose of verifying Licensee's royalty statements or compliance in other respects with this Agreement. The accounting firm shall disclose to Foundation whether the reports are correct or incorrect and the extent of any discrepancy. Should such inspection lead to the discovery of a greater than five percent (5%) discrepancy in reporting to Foundation's detriment, Licensee agrees to pay the full cost of such inspection. Foundation may exercise its rights under this Section 5.1 only once every year per audited entity and only with reasonable prior notice to the audited entity.

5.2 Before the first commercial sale of a Licensed Product, Licensee shall submit the reports due under Section 3.4. After the first commercial sale of a Licensed Product, Licensee, within sixty (60) days after March 31, June 30, September 30 and December 31, of each year, shall deliver to Foundation true and accurate reports of the business conducted by Licensee and its sublicensee(s) during the preceding three-month period using a format similar to the example shown in Appendix B ("**Royalty Report Form**"). These shall include the following:

(a) amount of Licensed Products manufactured and sold by Licensee and all sublicensees;
(b) total billings for Licensed Products sold by Licensee and all sublicensees;
(c) methods used to calculate the Running Royalty;
(d) the exchange rate used;
(e) deductions applicable as provided in Section 1.9;
(f) non-royalty sublicensing payments due under Section 4.1(e);
(g) total Running Royalties due; and
(h) names and addresses of all sublicensees of Licensee.

With each such report submitted, Licensee shall pay to Foundation the royalties due and payable under this Agreement. Licensee shall provide such report even if no royalties shall be due.

ARTICLE 6: PATENT PROSECUTION

6.1 Foundation will be responsible for the preparation, filing, prosecution, protection, defense and maintenance of all Patent Rights, using independent patent counsel reasonably acceptable to Licensee. However, Foundation shall give Licensee the opportunity to provide comments on and make requests of Foundation concerning the preparation, filing, prosecution, protection, defense and maintenance of the Patent Rights, and shall seriously consider such comments and requests; however, final decision-making authority shall vest in Foundation.

6.2 Foundation, either directly or through its attorneys, shall keep Licensee or its designated attorneys adequately informed with respect to the filing, prosecution, and maintenance of all patent applications and patents licensed under this Agreement. Licensee shall have the right to request and receive additional information, as Licensee or its attorneys may require, including copies of patent applications, patents, patent office actions, and replies thereto.

6.3 Separate from the payments set forth in Article 4, Licensee shall reimburse Foundation for all reasonable costs associated with the Patent Rights incurred after the Effective Date and paid by Foundation or its Affiliate without reimbursement by a third party. These reimbursements shall be due within thirty (30) days after receipt of Foundation's invoice by Licensee, and shall be non-refundable and non-creditable. To the extent practicable, such expenses shall be pre-approved by Licensee, and Foundation agrees to consult with Licensee as to the preparation, filing, prosecution and maintenance of the Patent Rights and shall furnish to Licensee copies of relevant documents in Foundation's or its counsel's possession reasonably in advance of such consultation. If Licensee fails to provide direction before two (2) weeks prior to a deadline, Foundation will proceed on its own judgment and, provided that Licensee has received two (2) months' prior notice of the deadline, Licensee shall be responsible for costs as if pre-approved. If, by two (2) weeks prior to expiration of a filing deadline, Licensee elects not to make such payment, Foundation may elect to make such payment at Foundation's own cost, in which case Licensee shall have no further rights with respect to said specific patent action, any other Section of this Agreement notwithstanding.

6.4 If Licensee decides that it does not wish to pay for the prosecution or maintenance of any Patent Rights in a particular country, Licensee shall provide Foundation with prompt written notice of such election. Upon receipt of such notice by Foundation, Licensee shall be released from its obligation to reimburse Foundation for such expenses incurred thereafter as to such Patent Rights; provided, however, that expenses authorized prior to the receipt by Foundation of such notice shall be deemed incurred prior to the notice. In the event of Licensee's election hereunder to no longer pay for prosecution or maintenance of any Patent Rights, any license granted by Foundation to Licensee hereunder with respect to such Patent Rights will terminate, and Licensee will have no rights whatsoever to exploit such terminated Patent Rights. Foundation will then be free, without further notice or obligation to Licensee, to grant rights in and to such terminated Patent Rights to third parties in the Field of Use, while Licensee shall retain full rights hereunder with respect to all other patent rights then within the Patent Rights.

ARTICLE 7: INFRINGEMENT

7.1 Either Party shall promptly inform the other Party in writing of any alleged infringement of the Patent Rights by a third party and shall provide the other Party with any available evidence thereof. Neither Party shall notify a third party of the infringement of Patent Rights without first consulting with the other Party. Both Parties shall use reasonable efforts and cooperation to terminate infringement without litigation.

7.2 During the Term, Licensee shall have the first right, but not the obligation, to prosecute at its own expense all infringements of the Patent Rights and, in furtherance of such right, Foundation hereby agrees that Licensee may include Foundation as a party plaintiff in any such suit, without expense to Foundation provided, however, that such right to bring such an infringement action shall remain in effect only for so long as the license granted herein remains exclusive. The total cost of any such infringement action commenced or defended solely by Licensee shall be borne by Licensee. No settlement, consent judgment or other voluntary final disposition of the suit may be entered into without the consent of Foundation, which consent shall not unreasonably be withheld. Licensee shall indemnify Foundation against any order for costs that may be made against Foundation in such proceedings.

7.3 In the event that Licensee shall undertake the enforcement and/or defense of the Patent Rights by litigation, Licensee may withhold up to fifty percent (50%) of the payments otherwise due Foundation under Article 4 herein and apply the same toward reimbursement of up to half of Licensee's third-party litigation expenses, including reasonable attorneys' fees, in connection therewith. Any recovery of damages by Licensee for each such suit shall be applied first in satisfaction of any unreimbursed expenses and legal fees of Licensee relating to such suit, and next toward reimbursement of Foundation for any payments under Article 4 past due or withheld and applied pursuant to this Article 7. Licensee shall receive sixty percent (60%), and Foundation shall receive forty percent (40%) of the balance of any recovery, damages, or settlement proceeds after the foregoing allocation is performed.

7.4 If within six (6) months after having been notified of any alleged infringement, Licensee shall have been unsuccessful in persuading the alleged infringer to desist and shall not have brought and shall not be diligently prosecuting an infringement action, or if Licensee shall notify Foundation at any time prior thereto of its intention not to bring suit against any alleged infringer then, and in those events only, Foundation shall have the right, but shall not be obligated, to prosecute at its own expense any infringement of the Patent Rights, and Foundation may, for such purposes, use the name of Licensee as party plaintiff.

7.5 In the event that Foundation shall undertake enforcement and/or defense of the Patent Rights litigation, any recovery, damages or settlement derived from such action shall be applied first in satisfaction of any unreimbursed expenses and legal fees of Foundation. Foundation shall receive sixty percent (60%), and Licensee shall receive forty percent (40%) of the balance of any recovery, damages, or settlement proceeds after the foregoing allocation is performed.

7.6 In the event that a declaratory judgment action alleging invalidity or noninfringement of any of the Patent Rights shall be brought against Licensee, Foundation, at its option, shall have the right, within thirty (30) days after commencement of such action, to intervene and take over the sole defense of the action at its own expense, provided that Foundation consults with and keeps Licensee promptly informed regarding such declaratory judgment action.

7.7 In any infringement suit as either Party may institute to enforce the Patent Rights pursuant to this Agreement, the other Party hereto shall, at the request and expense of the Party initiating such suit, cooperate in all respects and, to the extent possible, have its employees (and employees of University) testify when requested and make available relevant records, papers, information, samples, specimens, and the like.

7.8 Licensee shall have the sole right in accordance with the terms and conditions herein to sublicense any alleged infringer for future use of the Patent Rights. Any upfront fees as part of such a sublicense shall be first be used to reimburse the costs of the Party bringing the infringement action against the infringer and the balance will be shared with Foundation in accordance with Section 4.1(e); other royalties shall be treated per Article 4.

ARTICLE 8: LIABILITIES AND WARRANTIES

8.1 Licensee represents and warrants that it will comply, and will require that its Affiliates and sublicensees comply, with all applicable local, state, federal and international laws and regulations relating to the development, manufacture, use, sale and importation of Licensed Products. Without limiting the foregoing, Licensee represents and warrants, that is shall comply, and will require its Affiliates and sublicensees to comply, with all applicable United States laws and regulations controlling the export of certain commodities and technical data, including without limitation all applicable Export Administration Regulations of the United States Department of Commerce. Among other things, these laws and regulations prohibit or require a license for the export of certain types of commodities and technical data to specified countries. Licensee hereby gives written assurance that it will comply with, and will require that its Affiliates and sublicensees comply with, all applicable United States export control laws and regulations, that it bears sole responsibility for any violation of such laws and regulations by itself or its Affiliates or sublicensees, and that it will indemnify, defend, and hold the Foundation Indemnitees harmless (in accordance with Section 8.2) for the consequences of any such violation.

8.2 Licensee shall at all times during the Term and thereafter, indemnify, defend and hold Foundation, the University, and their trustees, agents, their directors, officers, employees, inventors/assignors and Affiliates (collectively, the "**Foundation Indemnitees**"), harmless against all third-party claims, proceedings, demands and liabilities of any kind whatsoever, including legal expenses and reasonable attorneys' fees (collectively, "**Foundation Claims**"), arising out of the death of or injury to any person or persons or out of any damage to property, resulting from the production, manufacture, sale, use, lease, consumption or advertisement of the Licensed Products by Licensee or its sublicensees or arising from any obligation of Licensee hereunder. The rights and obligations of this section shall survive termination or expiration of the Agreement with respect to Foundation Claims arising during the Term. Notwithstanding the foregoing, each of Foundation Indemnitees shall not be entitled to indemnification for any claim, liability, loss, cost, damage, or expenses to the extent caused by the fraud or willful misconduct of a Foundation Indemnitee or breach of this Agreement by Foundation.

8.3 Foundation shall at all times during the Term and thereafter, indemnify, defend and hold Licensee, and its, agents, their directors, officers, employees, inventors/assignors and Affiliates (collectively, the "**Licensee Indemnitees**"), harmless against all third-party claims, proceedings, demands and liabilities of any kind whatsoever, including legal expenses and reasonable attorneys' fees (collectively, "**Licensee Claims**"), arising from any obligation of Foundation Indemnitees hereunder. The rights and obligations of this section shall survive termination or expiration of the Agreement with respect to Licensee Claims arising during the Term. Notwithstanding the foregoing, each of Licensee Indemnitees shall not be entitled to indemnification for any claim, liability, loss, cost, damage, or expenses to the extent caused by the fraud or willful misconduct of a Licensee Indemnitee or breach of this Agreement by Licensee.

8.4 Licensee acknowledges it has or can establish the skill, knowledge, and capability to develop, produce, manufacture, market, and sell Licensed Products and/or Services.

8.5 Foundation represents and warrants that:

(a) Foundation Controls, and has been assigned all right, title and interest in, the Patent Rights;
(b) Foundation has the right and authority to enter into this Agreement and to grant the rights and licenses herein granted;
(c) To the best of Foundation's knowledge, there are no outstanding assignments, grants, licenses, encumbrances, obligations or agreements, either written or implied, inconsistent with the rights and licenses granted to Licensee under this Agreement;
(d) Foundation has not executed and will not execute any agreement in conflict herewith and has not granted and will not grant any license rights to the Patent Rights and Know-How for the Field of Use;
(e) To the best of Foundation's knowledge, the Patent Rights do not infringe the rights of third parties; and
(f) Foundation's obligations undertaken under this Agreement are valid and enforceable.

8.6 Nothing in this Agreement shall be construed as: (1) a warranty by Foundation that it can or will be able to obtain patents on patent applications included in the Patent Rights, or that any of the Patent Rights will afford adequate or commercially worthwhile protection; (2) a warranty or representation that any or all Patent Rights would be found valid by a court of competent jurisdiction; (3) a warranty or representation that anything made, used, sold or otherwise disposed of by Licensee under the rights and licenses or sublicenses granted in this Agreement is or will be free from infringement of patents of third parties (except as expressly provided in Section 8.4(e)); or (4) conferring by implication or otherwise any license or rights under any patents of Foundation other than the Patent Rights, provided, however, that Foundation shall not invoke any dominant patent or patent application Controlled by the Foundation to in any way restrict the rights and/or licenses granted to Licensee under this Agreement.

8.7 EXCEPT AS OTHERWISE EXPRESSLY SET FORTH IN THIS AGREEMENT, FOUNDATION, ITS TRUSTEES, AGENTS, DIRECTORS, OFFICERS, EMPLOYEES, INVENTORS/ASSIGNORS AND AFFILIATES MAKE NO REPRESENTATIONS AND EXTEND NO WARRANTIES OF ANY KIND, EITHER EXPRESS OR IMPLIED, INCLUDING BUT NOT LIMITED TO WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, VALIDITY OF PATENT RIGHTS, CLAIMS, ISSUED OR PENDING, AND THE ABSENCE OF LATENT OR OTHER DEFECTS, WHETHER OR NOT DISCOVERABLE. NOTHING IN THIS AGREEMENT SHALL BE CONSTRUED AS A REPRESENTATION MADE OR WARRANTY GIVEN BY FOUNDATION THAT THE PRACTICE BY LICENSEE OF THE LICENSE GRANTED HEREUNDER SHALL NOT INFRINGE THE PATENT RIGHTS OF ANY THIRD PARTY (EXCEPT AS EXPRESSLY PROVIDED IN SECTION 8.4(E)). IN NO EVENT SHALL FOUNDATION, ITS TRUSTEES, AGENTS, DIRECTORS, OFFICERS, EMPLOYEES, INVENTORS/ASSIGNORS AND AFFILIATES OR LICENSEE AND ITS AFFILIATES AND SUBLICENSEES BE LIABLE FOR INCIDENTAL OR CONSEQUENTIAL DAMAGES OF ANY KIND, INCLUDING ECONOMIC DAMAGE OR INJURY TO PROPERTY AND LOST PROFITS, REGARDLESS OF WHETHER FOUNDATION OR LICENSEE SHALL BE ADVISED, SHALL HAVE OTHER REASON TO KNOW, OR IN FACT SHALL KNOW OF THE POSSIBILITY.

ARTICLE 9: NON-USE OF NAMES

9.1 Licensee shall not use the names or trademarks of the University or Foundation, nor any adaptation thereof, nor the names of any of their employees, unless said employee is or was also an employee of Licensee, in any advertising, promotional or sales literature without prior written consent obtained from University, Foundation or said employee, in each case; except that Licensee may state that it is licensed by Foundation under one or more of the patents and/or applications comprising the Patent Rights.

9.2 Foundation and University shall not use the names or trademarks of Licensee, nor any adaptation thereof, nor the names of any of its employees, in any advertising, promotional or sales literature without prior written consent obtained from Licensee, in each case; except that Foundation may state that it is has licensed Licensee under one or more of the patents and/or applications comprising the Patent Rights, to the extent required or affirmatively permitted under Foundation or University policy or state statute or regulation.

ARTICLE 10: GOVERNMENTAL MATTERS

10.1. If this Agreement or any associated transaction is required by the law of any nation to either be approved or registered with any governmental agency, Licensee shall assume all legal obligations to do so. Licensee shall notify Foundation if it becomes aware that this Agreement is subject to a United States or foreign government reporting or approval requirement. Licensee shall make all necessary filings and pay all costs including fees, penalties, and all other out-of-pocket costs associated with such reporting or approval process.

10.2. Licensee shall observe all applicable United States and foreign laws with respect to the transfer of Licensed Products and related technical data to foreign countries, including without limitation, the International Traffic in Arms Regulations and the Export Administration Regulations.

ARTICLE 11: TERMINATION

11.1. Either Party may terminate this Agreement immediately upon filing or institution by or against the other Party of bankruptcy, reorganization, liquidation or receivership proceedings (unless any involuntary proceeding that is filed or instituted against the other Party is not dismissed within ninety (90) days), or upon an assignment of a substantial portion of the assets for the benefit of creditors by either Party.

11.2. Should Licensee fail to make any payment whatsoever due and payable to Foundation, Foundation shall have the right to terminate this Agreement effective on thirty (30) days' written notice, unless Licensee shall make all such payments to Foundation within said thirty (30) day period or unless Licensee is contesting in good faith the obligation to make the payment. Upon the expiration of the thirty (30) day period, if Licensee shall not have made all such payments to Foundation or is not contesting in good faith the obligation to make the payment, the rights, privileges and license granted shall automatically terminate. Obligations and payments due at the time of termination shall survive termination.

11.3. Upon any material breach or default of any of the provisions of this Agreement by Licensee other than those occurrences set out in Sections 11.1 and 11.2 hereinabove, which shall always take precedence in that order over any material breach or default referred to in this Section 11.3, Foundation shall have the right to terminate this Agreement and the rights, privileges and license granted hereunder effective on ninety (90) days written notice to Licensee. Such termination shall become automatically effective unless Licensee shall have cured any such material breach or default prior to the expiration of the ninety (90) day period and informed Foundation thereof in writing.

11.4. Licensee shall have the right to terminate this Agreement at any time on thirty (30) days' notice for futility, or on ninety (90) days' notice for any reason to Foundation, and upon payment of all amounts due Foundation through the Effective Date of the termination.

11.5. Upon any material breach or default of any of the provisions of this Agreement by Foundation, Licensee shall have the right to terminate this Agreement effective on sixty (60) days' written notice to Foundation. Such termination shall become automatically effective unless Foundation shall have cured such breach prior to the expiration of the sixty (60) day period and informed Licensee thereof.

11.6. Upon termination of this Agreement for any reason, nothing herein shall be construed to release either Party from any obligation that matured prior to the Effective Date of such termination; and Articles 1, 8, 11, and 13 shall survive any such termination. Licensee and any sublicensee thereof may, however, for up to six (6) months after the effective date of such termination, sell all Licensed Products, and complete Licensed Products in the process of manufacture at the time of such termination and sell the same, provided that Licensee shall make the payments to Foundation as required by Article 4 and Article 6 of this Agreement and shall submit the reports required by Article 5 hereof.

11.7. Upon termination of this Agreement for any reason other than by Licensee pursuant to Section 11.4 or 11.5, any sublicensee not then in default shall have the right to have its sublicense become a direct license from Foundation upon the terms hereof, as further limited in scope, field and terms set forth in the original sublicense, if the sublicensee pays Foundation all amounts Foundation would have received from Licensee with respect to the sublicense if this Agreement had not been terminated.

ARTICLE 12: NOTICES

Any notice, payments, or reporting required to be given under this Agreement shall be deemed to have been sufficiently given, if mailed by Certified Mail, postage prepaid, or by special courier, addressed to the Party to be notified at its address shown below, or at such other address as may later be furnished in writing to the notifying Party.

In the case of Foundation:

Attention: President
Kansas State University Research Foundation
2005 Research Park Circle
Manhattan, Kansas 66502
[*]

In case of Licensee:

Attention: President
Cocrystal Pharma, Inc.
19805 North Creek Parkway
Bothell, WA 98011
[*]

ARTICLE 13. CONFIDENTIALITY

13.1. The Parties agree to hold in confidence all Confidential Information; to not disclose any Confidential Information to any third party, to use Confidential Information solely for the purposes of this Agreement, and to disclose such Confidential Information only to individuals within receiving Party's organization that are directly involved with the Agreement on a need-to-know basis, except as set forth in Sections 13.2 and 13.3.

13.2. Each Party receiving or having access to Confidential Information from the other Party, whether in oral, written, graphic, computer-generated, or any other form, shall exercise due care to prevent its unauthorized disclosure. "Confidential Information" hereunder shall not include or information that:

(a) is or becomes publicly known through no wrongful act, omission or fault of the receiving Party;
(b) the receiving Party can reasonably demonstrate is already in the possession of the receiving Party as a matter of right;
(c) is received after the date hereof from a third party without restriction and without breach of this Agreement; or
(d) is independently developed by the receiving Party as evidenced by its records kept in the ordinary course of business.

Nothing herein shall be interpreted to prohibit Licensee from publishing the results of its studies with respect Licensed Products in accordance with industry practices or from disclosing Foundation's Confidential Information to third parties that Licensee deems necessary or advisable in the ordinary course of business on the condition that such third parties agree to be bound by confidentiality and non-use obligations that substantially are no less stringent than those confidentiality and non-use provisions contained in this Agreement.

13.3. The receiving Party may disclose Confidential Information received from the disclosing Party if it is required to be disclosed pursuant to law or regulation or an order or requirement of a competent court, administrative agency, or other governmental body, provided that the receiving Party: (i) uses reasonable efforts to disclose no more of the received Confidential Information than is necessary to comply with such requirement; and (ii) to the extent permitted promptly notifies the disclosing Party of such requirement so that the disclosing Party may seek a protective order or other remedy.

13.4. Unless otherwise specified in writing, all Confidential Information remains the disclosing Party's property. Upon termination or expiration of this Agreement and request of the disclosing Party, the receiving Party agrees to return or destroy all Confidential Information received from the disclosing Party, except for one copy, which the receiving Party may keep solely to monitor its obligations under this Agreement.

13.5. The secrecy obligations of Company with respect to Confidential Information shall continue for a period ending five (5) years from the termination date of this Agreement.

13.6. Foundation shall not, and shall cause the University not to, publish any information pertaining to the Patent Rights or Know-How that could constitute Confidential Information of Foundation or the University without first providing Licensee a copy of the proposed publication or any modification thereof at least thirty (30) days prior to the proposed publication. Licensee may request a reasonable delay in publication or presentation in order to protect patentable information. If Licensee requests a delay to protect patentable information, Foundation or the University will delay the proposed submission for publication for a period not to exceed thirty (30) days to enable a filing with the patent office to protect such information. Upon expiration of such thirty (30) days, Foundation or the University will be free to proceed with submitting the proposed publication.

ARTICLE 14: MISCELLANEOUS PROVISIONS

14.1 This Agreement shall be construed, governed, interpreted and applied in accordance with the laws of the State of Kansas, without giving effect to any choice or conflict of law provision, except that questions affecting the construction and effect of any patent shall be determined by the law of the country in which the patent shall have been granted.

14.2 The Parties hereto acknowledge that this Agreement sets forth the entire Agreement and understanding of the Parties hereto as to the subject matter hereof, and shall not be subject to any change or modification except by the execution of a written instrument subscribed to by the Parties hereto.

14.3 This Agreement may not be assigned by either Party without the written consent of the other, which consent shall not be unreasonably withheld, except that each Party may, without such consent, assign this Agreement and the rights, obligations and interests of such Party to any purchaser of all or substantially all of its assets or all of its equity, or to any successor corporation resulting from any merger or consolidation of such Party with or into such corporation; provided, in each case, that the assignee agrees in writing to be bound by the terms of this Agreement. Any assignment purported or attempted to be made in violation of the terms of this Section 14.3 shall be null and void and of no legal effect.

14.4 The provisions of this Agreement are severable, and in the event that any provisions of this Agreement shall be determined to be invalid or unenforceable under any controlling body of the law, such invalidity or unenforceability shall not in any way affect the validity or enforceability of the remaining provisions hereof.

14.5 The failure of either Party to assert a right hereunder or to insist upon compliance with any term or condition of this Agreement shall not constitute a waiver of that right or excuse a similar subsequent failure to perform any such term or condition by the other Party.

14.6 This Agreement is the joint product of the Parties hereto and their respective counsel. Each provision hereof has been subject to the mutual consultation, negotiation, and agreement of the Parties and shall not be construed for or against either Party hereto on the basis of authorship thereof.

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement by proper persons thereunto duly authorized as of the Effective Date.

COCRYSTAL PHARMA, INC.:	**KANSAS STATE UNIVERSITY RESEARCH FOUNDATION:**
By: Sam Lee	By: Kent Glasscock
Title: President	Title: President and CEO
Date:	Date:

APPENDIX A – PATENT FEES

[*]

APPENDIX B - ROYALTY REPORT FORM

Please also complete a separate form for each Affiliate and sublicensee for each product sold.

Submitted by: _____*(Cocrystal Pharma, Inc.)*
Submit to: Kansas State University Research Foundation
Report Period: Beginning date: _____ Ending date: _____

Product Number and Description

Licensee submits the following royalty report for the period indicated above.

A. Annual License Maintenance Fee due for this license year $_____

B. Less royalties previously paid this license year

(1) January – March	$_____	
(2) April – June	$_____	
(3) July – September	$_____	
(4) October - December	$_____	
(5) Total payments to date		$(_____)

C. REPORT PERIOD

(1) Units of product sold	_____	
(2) Sales price per unit	$_____	
(3) Gross sales of product (1 x 2)	$_____	
(4) Less allowable deductions	$(_____)	
(5) Net Sales of product sold (3 – 4)	$_____	
(6) Running royalty rate	_____	
(7) **Royalty payment due this period** (5 x 6)	$_____	$(_____)

(Enclose remittance made payable to Kansas State University Research Foundation)

D. Remaining Annual License Maintenance Fee due: (A – B(5) –C(7)) $ _____

For Office Use Only

Account no. – Disc. no. _____
Check number _____
Check date _____

_____
Authorized Signature

_____
Printed Name, Title

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: May 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: May 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 March 31, 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: May 13, 2020

In connection with the quarterly report of Cocrystal Pharma, Inc. (the "Company") on Form 10-Q for the quarter ended March 31, 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: May 13, 2020