

CORTEX PHARMACEUTICALS INC/DE/  
Form 10-Q  
May 14, 2015

**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**FORM 10-Q**

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

**For the quarterly period ended March 31, 2015**

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

**Commission file number: 1-16467**

**CORTEX PHARMACEUTICALS, INC.**

(Exact name of registrant as specified in its charter)

**Delaware** **33-0303583**  
(State or other jurisdiction of (I.R.S. Employer  
incorporation or organization) Identification Number)

**126 Valley Road, Suite C**

**Glen Rock, New Jersey 07452**

(Address of principal executive offices)

**(201) 444-4947**

(Registrant's telephone number, including area code)

Not applicable

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Large accelerated filer  Accelerated filer   
Non-accelerated filer  Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

As of April 30, 2015, the Company had 376,826,279 shares of common stock, \$0.001 par value, issued and outstanding.

Documents incorporated by reference: None

**CORTEX PHARMACEUTICALS, INC.  
AND SUBSIDIARY**

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## Forward-Looking Statements

This Quarterly Report on Form 10-Q of Cortex Pharmaceuticals, Inc. (the “Company”) contains certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, and Section 21E of the Securities Exchange Act of 1934. These might include statements regarding the Company’s financial position, business strategy and other plans and objectives for future operations, and assumptions and predictions about future product demand, supply, manufacturing, costs, marketing and pricing factors are all forward-looking statements. These statements are generally accompanied by words such as “intend,” “anticipate,” “believe,” “estimate,” “potential(ly),” “continue,” “forecast,” “plan,” “may,” “will,” “could,” “would,” “should,” “expect” or the negative of such terms or other comparable terminology. The Company believes that the assumptions and expectations reflected in such forward-looking statements are reasonable, based on information available to it on the date hereof, but the Company cannot provide assurances that these assumptions and expectations will prove to have been correct or that the Company will take any action that the Company may presently be planning. These forward-looking statements are inherently subject to known and unknown risks and uncertainties. Actual results or experience may differ materially from those expected, anticipated or implied in the forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, regulatory policies or changes thereto, available cash, research and development results, competition from other similar businesses, and market and general economic factors. This discussion should be read in conjunction with the condensed consolidated financial statements (unaudited) and notes thereto included in Item 1 of this Quarterly Report on Form 10-Q and the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2014, including the section entitled “Item 1A. Risk Factors.” The Company does not intend to update or revise any forward-looking statements to reflect new information, future events or otherwise.

**PART I - FINANCIAL INFORMATION****ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****CORTEX PHARMACEUTICALS, INC.****AND SUBSIDIARY****CONDENSED CONSOLIDATED BALANCE SHEETS**

	<b>March 31, 2015</b> (Unaudited)	<b>December 31, 2014</b>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 154,152	\$ 162,752
Grant receivable	28,583	48,000
Capitalized financing costs	77,030	85,702
Prepaid insurance, including current portion of long-term prepaid insurance of \$14,945 at March 31, 2015 and December 31, 2014	58,824	24,219
Total current assets	318,589	320,673
Equipment, net of accumulated depreciation of \$3,561 and \$1,659 at March 31, 2015 and December 31, 2014, respectively	17,336	16,741
Long-term prepaid insurance, net of current portion of \$14,945 at March 31, 2015 and December 31, 2014	59,158	62,894
Total assets	\$ 395,083	\$ 400,308
<b>LIABILITIES AND STOCKHOLDERS' DEFICIENCY</b>		
Current liabilities:		
Accounts payable and accrued expenses, including \$95,000 and \$108,375 payable to related parties at March 31, 2015 and December 31, 2014, respectively	\$ 2,043,434	\$ 1,845,875
Accrued compensation and related expenses	18,500	144,000
Unearned grant revenues	12,382	34,333
10% convertible notes payable, including accrued interest of \$16,715 and \$4,093, net of unamortized discount of \$367,354 and \$323,350, at March 31, 2015 and December 31, 2014, respectively	228,861	50,243
	534,060	526,257

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Note payable to related party, including accrued interest of \$134,611 and \$122,618 at March 31, 2015 and December 31, 2014, respectively		
Other short-term note payable, including accrued interest of \$77	36,202	—
Total current liabilities	2,873,439	2,600,708
Commitments and contingencies (Note 9)		
Stockholders' deficiency:		
Series B convertible preferred stock, \$0.001 par value; \$0.6667 per share liquidation preference; aggregate liquidation preference \$25,001; shares authorized: 37,500; shares issued and outstanding: 37,500; common shares issuable upon conversion at 0.09812 per share: 3,679	21,703	21,703
Series G 1.5% cumulative mandatorily convertible preferred stock, \$0.001 par value, \$1,000 per share stated value and liquidation preference; aggregate liquidation preference (including dividends) \$850,611 and \$872,737 at March 31, 2015 and December 31, 2014, respectively; shares authorized: 1,700; shares issued and outstanding: 850.6 and 872.7 at March 31, 2015 and December 31, 2014, respectively; common shares issuable upon conversion at 303,030.3 common shares per Series G share: 257,760,939 shares, including 3,973,063 shares issuable for dividends of \$13,111 at March 31, 2015, and 264,465,728 shares, including 3,102,094 shares issuable for dividends of \$10,237 at December 31, 2014	850,611	872,737
Common stock, \$0.001 par value; shares authorized: 1,400,000,000; shares issued and outstanding: 240,819,176 and 232,145,326 at March 31, 2015 and December 31, 2014, respectively	240,819	232,145
Additional paid-in capital	139,320,936	138,984,110
Accumulated deficit	(142,912,425)	(142,311,095)
Total stockholders' deficiency	(2,478,356 )	(2,200,400 )
Total liabilities and stockholders' deficiency	\$395,083	\$400,308

See accompanying notes to condensed consolidated financial statements (unaudited).



**CORTEX PHARMACEUTICALS, INC.****AND SUBSIDIARY****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS****(Unaudited)**

	<b>Three Months Ended</b>	
	<b>March 31,</b>	<b>2014</b>
	<b>2015</b>	<b>2014</b>
Grant revenues	\$74,534	\$—
Operating expenses:		
General and administrative, including \$1,960,000 to related parties for the three months ended March 31, 2014	229,900	2,348,107
Research and development, including \$76,500 to a related party for the three months ended March 31, 2015	310,972	64,089
Total operating expenses	540,872	2,412,196
Loss from operations	(466,338 )	(2,412,196 )
Gain on settlements with former management	92,550	1,038,270
Interest expense, including \$11,993 and \$12,046 to related parties for the three months ended March 31, 2015 and 2014, respectively	(228,534 )	(13,061 )
Foreign currency transaction gain	4,190	6,277
Net loss	(598,132 )	(1,380,710 )
Adjustments related to Series G 1.5% Convertible Preferred Stock:		
Amortization of deemed dividend on Series G 1.5% Convertible Preferred Stock	—	(1,209,970 )
Dividends on Series G 1.5% Convertible Preferred Stock	(3,198 )	(408 )
Net loss attributable to common stockholders	\$(601,330 )	\$(2,591,088 )
Net loss per common share - basic and diluted	\$(0.00 )	\$(0.02 )
Weighted average common shares outstanding - basic and diluted	238,705,800	152,274,889

See accompanying notes to condensed consolidated financial statements (unaudited).

**CORTEX PHARMACEUTICALS, INC.****AND SUBSIDIARY****CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' DEFICIENCY****(Unaudited)****Three Months Ended March 31, 2015**

	<b>Series B Convertible Preferred Stock</b>		<b>Series G 1.5% Convertible Preferred Stock</b>		<b>Common Stock</b>		<b>Additional Paid-in Capital</b>	<b>Accumulated Deficit</b>	<b>Total Stockholder Deficiency</b>
	<b>Shares</b>	<b>Amount</b>	<b>Shares</b>	<b>Amount</b>	<b>Shares</b>	<b>Par Value</b>			
Balance, December 31, 2014	37,500	\$21,703	872.7	\$872,737	232,145,326	\$232,145	\$138,984,110	\$(142,311,095)	\$(2,200,400)
Conversion of Series G 1.5% Convertible Preferred Stock Common stock issued as compensation Fair value of common stock options issued in connection with settlements with former management	—	—	(25.3 )	(25,324 )	7,673,850	7,674	17,650	—	—
Fair value of common stock warrants issued to investors in connection with the	—	—	—	—	1,000,000	1,000	71,000	—	72,000
	—	—	—	—	—	—	25,450	—	25,450
	—	—	—	—	—	—	112,557	—	112,557

convertible note and warrant financing Fair value of common stock warrants issued to finders in connection with the convertible note and warrant financing Fair value of beneficial conversion feature of convertible notes payable issued to investors in connection with the convertible note and warrant financing	—	—	—	—	—	—	12,726	—	12,726
Dividends on Series G 1.5% Convertible Preferred Stock	—	—	3.2	3,198	—	—	—	(3,198	) —
Net loss	—	—	—	—	—	—	—	(598,132	) (598,132
Balance, March 31, 2015	37,500	\$21,703	850.6	\$850,611	240,819,176	\$240,819	\$139,320,936	\$(142,912,425)	\$(2,478,350)

See accompanying notes to condensed consolidated financial statements (unaudited).

**CORTEX PHARMACEUTICALS, INC.****AND SUBSIDIARY****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS****(Unaudited)**

	<b>Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2015</b>	<b>2014</b>
Cash flows from operating activities:		
Net loss	\$(598,132)	\$(1,380,710)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation expense	1,902	17
Amortization of discounts related to convertible notes payable - Investor warrants	82,677	—
Beneficial conversion feature	83,320	—
Amortization of capitalized financing costs	37,098	—
Gain on settlements with former management	(92,550 )	(1,038,270)
Stock-based compensation expense included in - General and administrative expenses	—	2,280,000
Research and development expenses	72,000	—
Foreign currency transaction gain	(4,190 )	(6,277 )
Changes in operating assets and liabilities:		
(Increase) decrease in - Grant receivable	19,417	—
Prepaid insurance	5,256	(124,998 )
Increase (decrease) in - Accounts payable and accrued expenses	197,559	61,613
Accrued compensation and related expenses	(7,500 )	(118,084 )
Accrued interest payable	24,691	12,950
Unearned grant revenues	(21,951 )	—
Net cash used in operating activities	(200,403)	(313,759 )
Cash flows from investing activities:		
Purchases of equipment	(2,497 )	(1,925 )
Net cash used in investing activities	(2,497 )	(1,925 )
Cash flows from financing activities:		
Proceeds from sale of Series G 1.5% Convertible Preferred Stock	—	753,220
Proceeds from convertible note and warrant financing	210,000	—
Proceeds from issuance of notes payable to Chairman	—	75,000
Repayment of notes payable to Chairman	(15,700 )	—

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Cash payments made for deferred costs incurred in connection with convertible note and warrant financing		
Cash payments made for costs incurred in connection with sale of Series G 1.5% Convertible Preferred Stock	—	(64,956 )
Net cash provided by financing activities	194,300	613,264
Cash and cash equivalents:		
Net increase (decrease)	(8,600 )	297,580
Balance at beginning of period	162,752	14,352
Balance at end of period	\$ 154,152	\$ 311,932

(Continued)